# *United States Court of Appeals*
# *for the Second Circuit*

# EXHIBITS

14-1167

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

- - - - - - - - - - - - - - - - - - - - - - x

WILLIAM R. VAN GEMERT, et al., :

Plaintiffs, : 66 Civ. 1820

-against- :

THE BOEING COMPANY, et al., :

Defendants. :

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## EXHIBITS TO AGREED STATEMENT AS TO CERTAIN FACTS AND WHAT CERTAIN WITNESSES WOULD TESTIFY TO IF CALLED AT TRIAL

UNITED STATES COURT OF APPEALS
FILED
SEP 6 [illegible]
[illegible], CLERK
SECOND CIRCUIT

## Exhibits to Agreed Statement of Facts

1. Specimen $1,000 Bearer Debenture and Specimen Registered Debenture.

2. Minutes of Special Meeting of the Board of Directors of Boeing held on June 23, 1958.

3. Letter of Instructions dated June 26, 1958 from Boeing to City Bank Farmers Trust Company, its Subscription Agent.

4. Indenture dated July 1, 1958, between Boeing and The Chase Manhattan Bank.

5. Letter dated June 25, 1958 from William M. Allen, President of Boeing, to holders of Boeing Capital Stock.

6. Registration Statement of Boeing on Form S-1 containing Preliminary Prospectus dated June 25, 1958.

7. Listing Application A-17645 of Boeing dated June 26, 1958.

8. Listing Agreement A-17292 of Boeing dated November 5, 1957.

9. Amendment No. 1 to Form S-1 of Boeing containing Preliminary Prospectus dated June 30, 1958.

10. Amendment No. 2 to Form S-1 of Boeing containing Preliminary Prospectus dated July 10, 1958.

11. Minutes of Special Meeting of Board of Directors of Boeing held on July 14, 1958.

12. Underwriting Agreement dated July 15, 1958 between Boeing and Harriman Ripley & Co., Incorporated and Blyth & Co., Inc.

13. Amendment No. 3 to Form S-1 of Boeing containing final Prospectus dated July 15, 1958.

14. Specimen Warrants.

15. Letter dated July 15, 1958 from William M. Allen, President of Boeing, to all holders of record of Boeing Capital Stock at the close of business on July 15, 1958 other than holders with A.P.O. or F.P.O. registered addresses or with registered addresses outside of the Continental United States and Canada.

Final Prospectus dated July 15, 1958 containing Supplement dated July 30, 1958.

16. Letter dated July 15, 1958 from William M. Allen, President of Boeing to all holders of record of Boeing Capital Stock at the close of business on July 15, 1958 with A.P.O. or F.P.O. registered addresses or with registered addresses outside the Continental United States and Canada.

17. Letter dated July 15, 1958 from City Bank Farmers Trust Company to holders of unexchanged stock of United Aircraft & Transport Corporation.

18. Sample letter from Chase to Boeing dated March 10, 1960.

19. Boeing conversion rate computation sheet dated December 31, 1958.

20. Memorandum dated March 25, 1959 from O.E. Melby to Messrs. Yeasting and Nelsen.

21. Memorandum dated December 17, 1959 from O. E. Melby to Messrs. Yeasting, Nelsen and Haynes together with a computation sheet.

22. Memorandum of the Proceedings of the Board of Directors of Boeing held on November 13, 1959 and Memorandum from Mr. Prince to the Board of Directors of Boeing dated November 11, 1959.

23. Minutes of the Meeting of the Board of Directors of Boeing held on December 7, 1959.

24. Plan and Agreement of Reorganization Between Boeing Airplane Company and Vertol Aircraft Corporation dated January 18, 1960.

25. Extract from the Minutes of the Meeting of the Board of Directors of Boeing held on April 4, 1960.

26. Form 8K filed by Boeing for April, 1960.

27. Typed transcription of conversion rate calculations prepared by Boeing on or about April 4, 1960 and on or before April 12, 1960.

28. Conversion rate calculations prepared by Boeing on or about April 12, 1960.

29. Opinion letter dated March 31, 1960 from Harriman Ripley & Co., Incorporated to Boeing.

30. Opinion letter dated April 4, 1960 from Touche, Ross, Bailey & Smart to Boeing.

31. Opinion letter dated April 4, 1960 from H. F. Olsen to H.W. Haynes of Boeing.

32. Memoranda dated June 2, 1960 from P.S. Ford to H.W. Haynes and June 16, 1960 from O.E. Melby to E.M. Nelsen and H.W. Haynes.

33. Memorandum dated June 28, 1961 prepared by H.W. Haynes.

34. Memorandum dated July 20, 1961 prepared by J.E. Prince.

35. Memorandum dated March 10, 1961 prepared by L.E. Fillon of Boeing entitled "Bond Indenture Restrictions".

36. Boeing Annual Report for 1960.

37. Boeing Proxy Statement dated February 28, 1966 with affidavit of mailing attached.

38. Extract from the Minutes of the Meeting of the Boeing Board of Directors held on February 28, 1966.

39. TENTATIVE TIMETABLE dated 2-28-66.

40. Boeing News Release No. S-8726 issued February 28, 1966.

41. Teletype dated March 1, 1966 from H.V. Kohr of Boeing to the New York Stock Exchange.

Letter dated March 2, 1966 from H.V. Kohr of Boeing to the New York Stock Exchange.

42. Telegram dated March 3, 1966 from J.L. Howard of Chase to D. Thornton of Boeing.

43. Section A-10 of the NYSE Company Manual as in effect between February 1, 1966 and March 10, 1966.

44. Letter dated March 5, 1966 from Boeing's general counsel to the SEC.

Letter dated March 5, 1966 from Boeing's general counsel to the NYSE.

45. Letter dated March 8, 1966 from Boeing's general counsel to the SEC.

Letter dated March 8, 1966 from Boeing to the NYSE.

46. Redemption Notice published on March 8 and 18, 1966 in all editions of The Wall Street Journal and affidavit of publication.

47. Letter of March 9, 1966 from A.L. Rauch of the New York Stock Exchange to H.V. Kohr of Boeing.

Letter dated March 16, 1966 from H.V. Kohr of Boeing to A.L. Rauch of the New York Stock Exchange.

Letter dated April 5, 1966 from J.L. Howard of Chase to A.L. Rauch of the New York Stock Exchange.

Certified Copy of Boeing's Redemption Account Statement with Chase.

48. Boeing News dated March 24, 1966.

Boeing Management Information dated March 16, 1966.

49. Boeing Annual Report for 1965.

✓ 50. March 25, 1966 Boeing News Release.

✓ 51. Redemption Notice published on March 28, 1966 in all editions of The Wall Street Journal with affidavit of publication.

Redemption Notice published in The New York Times on March 28, 1966 with affidavit of publication.

52. Letter dated April 11, 1966 from D. Thornton of Boeing to J.L. Howard of Chase.

Letter dated April 26, 1966 from D. Thornton of Boeing to J.L. Howard of Chase.

53. Form 8K filed by Boeing for March, 1966.

Form 8K filed by Boeing for the month of April, 1966.

54. Two letters sent by Boeing and one letter sent by Boeing's general counsel which are representative of the letters sent by Boeing, Chase and Boeing's general counsel to debentureholders who inquired after the expiration of the conversion privilege as to the status of their debentures.

55. Boeing Annual Report for 1966
Boeing Proxy Statement
dated February 27, 1967.

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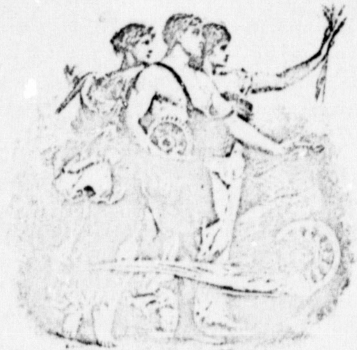

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# BOEING AIRPLANE COMPANY

Nº M 00000

Nº M 00000

## 4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980

*Boeing Airplane Company, a Delaware corporation (herein called the "Company") for value received, hereby promises to pay to bearer (or, if this Debenture be registered as to principal, then to the registered holder hereof) at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, the principal sum of*

**ONE THOUSAND DOLLARS ($1,000)**

on July 1, 1980, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum at the rate of 4½% per annum at such office or agency in like coin or currency from July 29, 1958, semi-annually on January 1 and July 1 in each year until payment of said principal sum has been made or duly provided for, but, until maturity, only upon presentation and surrender of the interest coupons hereto annexed, as they severally mature.

This Debenture is one of a duly authorized issue of Debentures of the Company, limited to the aggregate principal amount of $30,597,600, known as its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called the "Debentures"), issued or to be issued under an indenture dated July 1, 1958 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures and coupons.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become, due and payable, in the manner and with the effect provided in the Indenture. As provided in the Indenture and subject to certain conditions, any such declaration may be rescinded by the holders of a majority in aggregate principal amount of the Debentures outstanding upon payment of all principal, premiums and interest then due otherwise than by acceleration. Such holders may also, prior to such declaration, waive any past default under the Indenture and its consequences except a default in the payment of the principal of, premium, if any, or interest on, any of the Debentures. Any such waiver or any consent by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange or substitution therefor, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

The indebtedness evidenced by the Debentures and any coupons appertaining thereto is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture and any coupon appurtenant hereto, by accepting the same, agrees to and shall be bound by such provisions.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures and coupons; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or reduce any premium payable on the redemption thereof, or impair the right, as set forth in the Indenture, to convert the Debentures, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Debenture at the places, at the respective times, at the rate and in the currency herein prescribed.

The holder of this Debenture is entitled, at his option, at any time on or before July 1, 1980, or in case this Debenture shall be called for redemption prior to such date, then to and including but not after the tenth day prior to the redemption date, to convert this Debenture (or, if this Debenture is of a denomination greater than $100, any portion of the principal amount which is $100 or an integral multiple thereof), at the principal amount hereof, or such portion hereof, into shares of Capital Stock of the Company, as said shares shall be constituted at the date of conversion, at the conversion rate of two shares of Capital Stock for each $100 principal amount of Debentures, or at the adjusted conversion rate in effect at the date of conversion determined as provided in the Indenture, all in accordance with the terms and provisions of the Indenture. As provided in the Indenture, the conversion rate is subject to adjustment in certain cases as set forth therein. No adjustment is to be made on conversion for interest accrued hereon or for dividends on securities issued on conversion. The Company is not required to issue fractional shares upon any such conversion, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Indenture.

In case of a partial conversion of this Debenture the holder shall receive a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of this Debenture.

The Debentures are issuable as coupon Debentures, registrable as to principal, in denominations of $100, $500 and $1,000 and as registered Debentures without coupons in denominations of $1,000 and any multiple of $1,000. As provided and subject to the limitations set forth in the Indenture and upon payment of charges as therein provided, the coupon Debentures and registered Debentures without coupons of any denomination are exchangeable for other Debentures of any other authorized denomination or denominations of an equal aggregate principal amount, as requested by the holder surrendering the same at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York.

The Debentures are subject to redemption as a whole or in part, at any time or times, at the option of the Company, on not less than 30 nor more than 90 days' prior notice, as provided in the Indenture, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE 12 MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|
| 1959 | 105½ | 1966 | 103¼ | 1973 | 101½ |
| 1960 | 105 | 1967 | 103 | 1974 | 101¼ |
| 1961 | 104½ | 1968 | 102¾ | 1975 | 101 |
| 1962 | 104¼ | 1969 | 102½ | 1976 | 100¾ |
| 1963 | 104 | 1970 | 102¼ | 1977 | 100½ |
| 1964 | 103¾ | 1971 | 102 | 1978 | 100¼ |
| 1965 | 103½ | 1972 | 101¾ | | |

and thereafter at 100% of the principal amount thereof, in each case together with accrued interest to the date fixed for redemption.

The Debentures are also subject to redemption in part, pursuant to the terms of the sinking fund provided in the Indenture, on January 1, 1968 and on any January 1 thereafter, to and including January 1, 1979, on notice as set forth above, at 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

This Debenture shall pass by delivery except while registered as to principal. This Debenture may be registered as to principal upon presentation at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, such registration being noted hereon, after which no transfer hereof shall be valid unless made, as provided in the Indenture, at such office or agency by the registered holder hereof or by his attorney duly authorized in writing and similarly noted hereon; but this Debenture may be discharged from such registration by like transfer to bearer noted hereon, whereupon transferability by delivery shall be restored. Such registration, however, shall not affect the transferability by delivery of the coupons for the interest hereon, and such coupons shall continue to be payable to bearer and transferable by delivery. No service charge shall be made for any such registration, transfer or discharge from registration, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the bearer hereof, or, if registered as to principal, the registered holder hereof, and the bearer of any coupon appertaining hereto, whether or not this Debenture shall be registered as to principal, as the absolute owner of this Debenture or such coupon, as the case may be (whether or not this Debenture or such coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment hereof or on account hereof or of such coupon, as the case may be, and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, or against any past, present or future stockholder, director or officer, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Neither this Debenture nor any coupon appertaining hereto shall be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

*In Witness Whereof, Boeing Airplane Company has caused this Debenture to be signed manually or by facsimile by its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon, and coupons for interest, bearing the facsimile signature of its Treasurer, to be attached hereto.*

*Boeing Airplane Company*

DATED JULY 1, 1958.

BY William M. Allen

SPECIMEN

PRESIDENT

SPECIMEN

SECRETARY

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

THIS IS ONE OF THE DEBENTURES REFERRED TO IN THE WITHIN-MENTIONED INDENTURE.

**THE CHASE MANHATTAN BANK,**
AS TRUSTEE

BY

AUTHORIZED OFFICER

## TERMS OF CONVERSION OF DEBENTURES INTO CAPITAL STOCK

THIS DEBENTURE IS CONVERTIBLE INTO CAPITAL STOCK OF THE COMPANY UPON THE TERMS AND AT THE CONVERSION RATE SET FORTH ON THE FACE HEREOF, SUBJECT TO ADJUSTMENT OF THE CONVERSION RATE AS PROVIDED IN THE INDENTURE.

SURRENDER OF THE DEBENTURE (WITH ALL UNMATURED COUPONS ATTACHED) FOR CONVERSION SHOULD BE MADE AT THE PRINCIPAL OFFICE OF THE TRUSTEE. IF THE DEBENTURE IS REGISTERED AS TO PRINCIPAL, IT SHOULD BE ACCOMPANIED BY PROPER ASSIGNMENT THEREOF IN BLANK FOR TRANSFER.

IF YOU WISH TO CONVERT THIS DEBENTURE YOU MAY USE THE SPACES AT RIGHT FOR GIVING YOUR INSTRUCTIONS TO THE CONVERSION AGENT.

DEBENTURES MAILED SHOULD BE SENT BY REGISTERED MAIL.

**THE CHASE MANHATTAN BANK,**
NEW YORK, NEW YORK

No.M 00000

THE UNDERSIGNED HEREBY SURRENDERS THE WITHIN 4½% CONVERTIBLE SUBORDINATED DEBENTURE OF BOEING AIRPLANE COMPANY FOR CONVERSION INTO SHARES OF CAPITAL STOCK OF THE COMPANY AS PROVIDED IN THE INDENTURE THEREIN MENTIONED. PLEASE ISSUE SUCH SHARES IN THE NAME AND MAIL THE CERTIFICATE(S) THEREFOR TO THE ADDRESS GIVEN BELOW:

NAME IN WHICH STOCK CERTIFICATE SHOULD BE ISSUED (PLEASE PRINT)

______________________________

GIVE FIRST OR MIDDLE NAME IN FULL; IF A WOMAN INDICATE WHETHER "MISS" OR "MRS."

STOCKHOLDER'S MAILING ADDRESS

______________________________

NUMBER AND STREET, RURAL ROUTE, OR P. O. BOX

______________________________

CITY OR TOWN POSTAL ZONE NUMBER (IF ANY) STATE

SPECIAL INSTRUCTIONS FOR DELIVERY OF STOCK IF NOT TO BE DELIVERED TO ABOVE ADDRESS

______________________________

______________________________

DATED ____________ 19____. SIGNATURE ______________

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No.M
00000

# BOEING AIRPLANE COMPANY

## 4½%
## CONVERTIBLE SUBORDINATED DEBENTURE,
## DUE JULY 1, 1980

SPECIMEN

INTEREST PAYABLE
JANUARY 1 AND JULY 1

PRINCIPAL AND INTEREST PAYABLE
AT THE OFFICE OR AGENCY OF THE COMPANY
IN THE
BOROUGH OF MANHATTAN,
THE CITY OF NEW YORK,
NEW YORK.

UNITED STATES INTERNAL REVENUE STAMPS REQUIRED BY LAW HAVE BEEN AFFIXED TO THE WITHIN MENTIONED INDENTURE AND CANCELLED

AMERICAN BANK NOTE COMPANY

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**NOTICE: NO WRITING BELOW EXCEPT BY THE DEBENTURE REGISTRAR.**

| DATE OF REGISTRATION AS TO PRINCIPAL | NAME OF REGISTERED OWNER | SIGNATURE OF REGISTRAR |
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COUPON DEBENTURES OF THE DENOMINATION OF $1,000 ARE EXCHANGEABLE, WHEN SURRENDERED WITH ALL UNMATURED COUPONS ATTACHED, FOR AN EQUAL AGGREGATE PRINCIPAL AMOUNT OF REGISTERED DEBENT[illegible]S OF AUTHORIZED DENOMINATIONS OF THE SAME ISSUE, ALL UNDER THE CONDITIONS AND UPON THE PAYMENT OF THE C[illegible]GES PROVIDED IN THE WITHIN-MENTIONED INDENTURE.

ON JULY 1, 1980 $22.50
BOEING AIRPLANE COMPANY
WILL PAY TO BEARER AT ITS OFFICE OR AGENCY IN THE BOROUGH OF MANHATTAN, ... SUCH COIN OR ... STATES OF AMERICA AS AT ... SHALL BE LEGAL TENDER FOR ... PUBLIC AND PRIVATE DEBTS ... THE INTEREST THEN PAYABLE ON ITS No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
44

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ON JAN. 1, 1980 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
43

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ON JULY 1, 1979 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1979 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1978 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1978 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
39

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ON JULY 1, 1977 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
38

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ON JAN. 1, 1977 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
37

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ON JULY 1, 1976 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1976 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1975 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1975 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1974 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1974 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1973 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1973 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
29

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ON JULY 1, 1972 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1972 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1971 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1971 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1970 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1970 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1969 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JAN. 1, 1969 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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ON JULY 1, 1968 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
20

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ON JAN. 1, 1968 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
19

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ON JULY 1, 1967 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
18

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ON JAN. 1, 1967 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
17

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ON JULY 1, 1966 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
16

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ON JAN. 1, 1966 $22.50
BOEING AIRPLANE COMPANY
No M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
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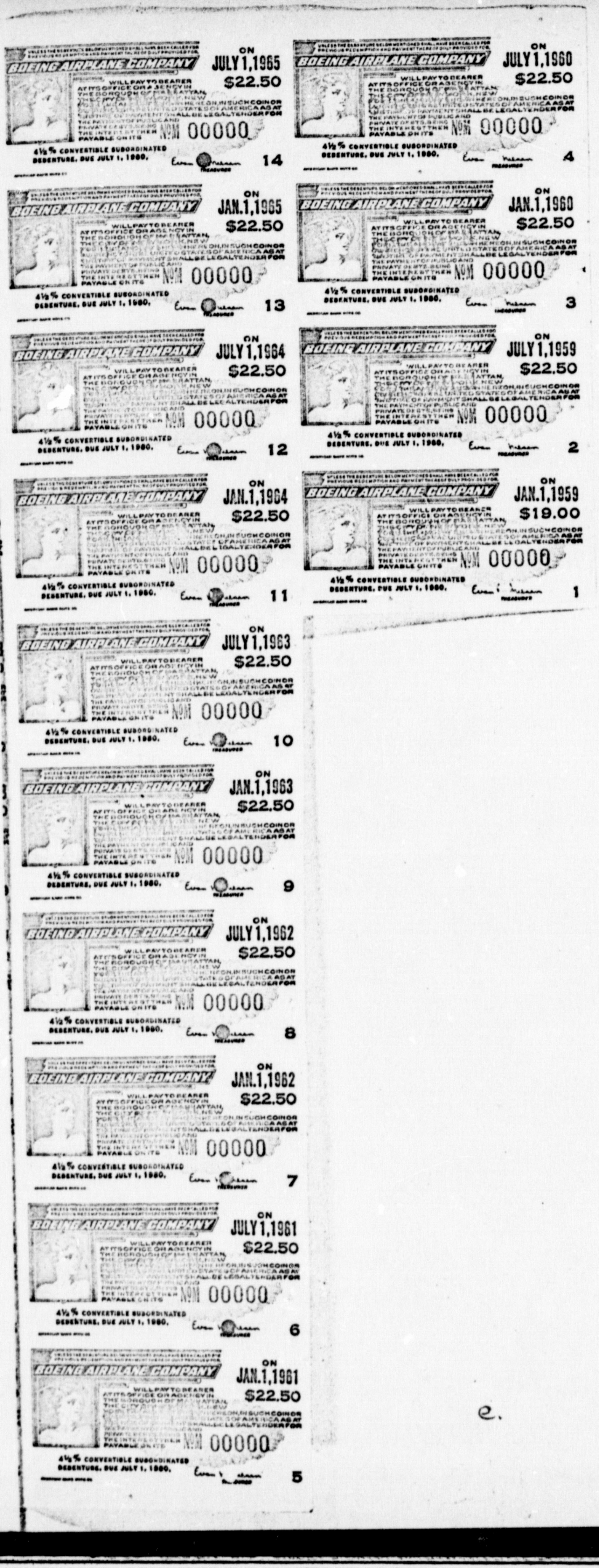

UNLESS THE DEBENTURE BELOW MENTIONED SHALL HAVE BEEN CALLED FOR PREVIOUS REDEMPTION AND PAYMENT THEREOF DULY PROVIDED FOR,
**BOEING AIRPLANE COMPANY**
WILL PAY TO BEARER
ON
JULY 1,1965
$22.50
AT ITS OFFICE OR AGENCY IN THE BOROUGH OF MANHATTAN, THE CITY OF NEW [illegible] HEREON, IN SUCH COIN OR [illegible] UNITED STATES OF AMERICA AS AT THE TIME OF PAYMENT SHALL BE LEGAL TENDER FOR THE PAYMENT OF PUBLIC AND PRIVATE DEBTS, BEING THE INTEREST THEN PAYABLE ON ITS
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
14

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1965
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
13

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1964
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
12

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1964
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
11

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1963
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
10

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1963
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
9

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1962
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
8

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1962
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
7

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1961
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
6

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1961
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
5

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1960
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
4

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1960
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
3

**BOEING AIRPLANE COMPANY**
ON
JULY 1,1959
$22.50
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
2

**BOEING AIRPLANE COMPANY**
ON
JAN.1,1959
$19.00
№M 00000
4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980.
TREASURER
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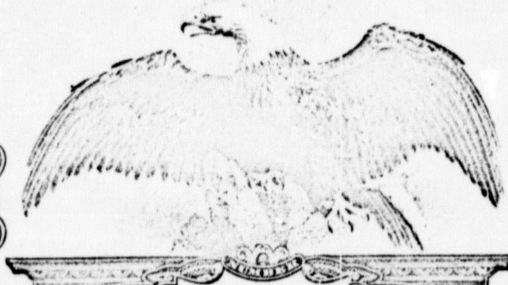

R 00000

# BOEING AIRPLANE COMPANY

## 4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980

**BOEING AIRPLANE COMPANY,** a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to

or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, the principal sum of

DOLLARS,

or so much thereof as shall not be noted by indorsement hereon as paid, on July 1, 1980, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum, or so much thereof as shall not be noted by indorsement hereon as paid, at the rate of 4½% per annum to the registered holder hereof at such office or agency in like coin or currency from the date hereof semi-annually on January 1 and July 1 in each year until payment of said principal sum has been made or duly provided for.

This Debenture is one of a duly authorized issue of Debentures of the Company, limited to the aggregate principal amount of $30,597,600, known as its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called the "Debentures"), issued or to be issued under an indenture dated July 1, 1958 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures and coupons.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become, due and payable, in the manner and with the effect provided in the Indenture. As provided in the Indenture and subject to certain conditions, any such declaration may be rescinded by the holders of a majority in aggregate principal amount of the Debentures outstanding upon payment of all principal, premiums and interest then due otherwise than by acceleration. Such holders may also, prior to such declaration, waive any past default under the Indenture and its consequences except a default in the payment of the principal of, premium, if any, or interest on, any of the Debentures. Any such waiver or any consent by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange or substitution therefor, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

The Indebtedness evidenced by the Debentures is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of the principal of, premium, if any, and interest on all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures and coupons; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or reduce any premium payable on the redemption thereof, or impair the right, as set forth in the Indenture, to convert the Debentures, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Debenture at the places, at the respective times, at the rate and in the currency herein prescribed.

The holder of this Debenture is entitled, at his option, at any time on or before July 1, 1980, or in case this Debenture shall be called for redemption prior to such date, then to and including but not after the tenth day prior to the redemption date, to convert this Debenture (or, if this Debenture is of a denomination greater than $100, any portion of the principal amount which is $100 or an integral multiple thereof), at the principal amount hereof, or such portion hereof, into shares of Capital Stock of the Company, as said shares shall be constituted at the date of conversion, at the conversion rate of two shares of Capital Stock for each $100 principal amount of Debentures, or at the adjusted conversion rate in effect at the date of conversion determined as provided in the Indenture, all in accordance with the terms and provisions of the Indenture. As provided in the Indenture, the conversion rate is subject to adjustment in certain cases as set forth therein. No adjustment is to be made on conversion for interest accrued hereon or for dividends on securities issued on conversion. The Company is not required to issue fractional shares upon any such conversion, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Indenture. In case of a partial conversion of this Debenture the holder shall receive a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of this Debenture.

The Debentures are issuable as coupon Debentures, registrable as to principal, in denominations of $100, $500 and $1,000 and as registered Debentures without coupons in denominations of $1,000 and any multiple of $1,000. As provided and subject to the limitations set forth in the Indenture and upon payment of charges as therein provided, the coupon Debentures and registered Debentures without coupons of any denomination are exchangeable for other Debentures of any other authorized denomination or denominations of an equal aggregate principal amount, as requested by the holder surrendering the same at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York.

The Debentures are subject to redemption as a whole or in part, at any time or times, at the option of the Company, on not less than 30 nor more than 90 days' prior notice, as provided in the Indenture, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE 12 MONTHS' PERIOD ENDING JULY 1.

| Year | Percentage | Year | Percentage |
|---|---|---|---|
| 1959 | 105½ | 1969 | 102½ |
| 1960 | 105 | 1970 | 102¼ |
| 1961 | 104½ | 1971 | 102 |
| 1962 | 104¼ | 1972 | 101¾ |
| 1963 | 104 | 1973 | 101½ |
| 1964 | 103¾ | 1974 | 101¼ |
| 1965 | 103½ | 1975 | 101 |
| 1966 | 103¼ | 1976 | 100¾ |
| 1967 | 103 | 1977 | 100½ |
| 1968 | 102¾ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, in each case together with accrued interest to the date fixed for redemption.

The Debentures are also subject to redemption in part, pursuant to the terms of the sinking fund provided in the Indenture, on January 1, 1968 and on any January 1 thereafter, to and including January 1, 1979, on notice as set forth above, at 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

This Debenture is transferable at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, by the registered holder hereof in person or by attorney duly authorized in writing but only in the manner, subject to the limitations, and upon payment of the charges provided in the Indenture, and upon surrender of this Debenture. Upon any such transfer a new registered Debenture or Debentures without coupons for a like aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the person in whose name this Debenture is registered as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment hereof or on account hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, or against any past, present or future stockholder, director or officer, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Debenture shall not become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

IN WITNESS WHEREOF, Boeing Airplane Company has caused this Debenture to be signed manually or by facsimile by its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

Dated

**BOEING AIRPLANE COMPANY**
By

SPECIMEN
President

SPECIMEN
Secretary

1934

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Debentures referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By

SPECIMEN

Authorized Officer

FRANKLIN LEE DIVISION - AMERICAN BANK NOTE CO.

**TERMS OF CONVERSION OF DEBENTURES INTO CAPITAL STOCK**

THIS DEBENTURE IS CONVERTIBLE INTO CAPITAL STOCK OF THE COMPANY UPON THE TERMS AND AT THE CONVERSION RATE SET FORTH ON THE FACE HEREOF, SUBJECT TO ADJUSTMENT OF THE CONVERSION RATE AS PROVIDED IN THE INDENTURE.

SURRENDER OF THE DEBENTURE FOR CONVERSION SHOULD BE MADE AT THE PRINCIPAL OFFICE OF THE TRUSTEE. THE DEBENTURE SHOULD BE ACCOMPANIED BY PROPER ASSIGNMENT THEREOF IN BLANK FOR TRANSFER.

IF YOU WISH TO CONVERT THIS DEBENTURE YOU MAY USE THE SPACES AT RIGHT FOR GIVING YOUR INSTRUCTIONS TO THE CONVERSION AGENT.

**DEBENTURES MAILED SHOULD BE SENT BY REGISTERED MAIL.**

THE CHASE MANHATTAN BANK,
NEW YORK, NEW YORK

No.R 00000

THE UNDERSIGNED HEREBY SURRENDERS THE WITHIN 4½% CONVERTIBLE SUBORDINATED DEBENTURE OF BOEING AIRPLANE COMPANY FOR CONVERSION INTO SHARES OF CAPITAL STOCK OF THE COMPANY AS PROVIDED IN THE INDENTURE THEREIN MENTIONED. PLEASE ISSUE SUCH SHARES IN THE NAME AND MAIL THE CERTIFICATE(S) THEREFOR TO THE ADDRESS GIVEN BELOW:

NAME IN WHICH STOCK CERTIFICATE SHOULD BE ISSUED (PLEASE PRINT)

GIVE FIRST OR MIDDLE NAME IN FULL; IF A WOMAN INDICATE WHETHER "MISS" OR "MRS."

STOCKHOLDER'S MAILING ADDRESS

NUMBER AND STREET, RURAL ROUTE, OR P. O. BOX

CITY OR TOWN POSTAL ZONE NUMBER (IF ANY) STATE

SPECIAL INSTRUCTIONS FOR DELIVERY OF STOCK IF NOT TO BE DELIVERED TO ABOVE ADDRESS

DATED ………………… 19…… SIGNATURE ……………………

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R 00000

REGISTERED

**Boeing Airplane Company**

4½% CONVERTIBLE
SUBORDINATED DEBENTURE,
DUE JULY 1, 1980

INTEREST PAYABLE
JANUARY 1 and JULY 1

PRINCIPAL AND INTEREST PAYABLE
AT THE OFFICE OR AGENCY OF
THE COMPANY IN THE
BOROUGH OF MANHATTAN,
THE CITY OF NEW YORK,
NEW YORK.

United States Internal Revenue Stamps required by law have been affixed to the within-mentioned debenture and cancelled.

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PAYMENTS ON ACCOUNT OF PRINCIPAL

| Date | Principal Amount Paid | Balance of Principal Amount Unpaid | Authorized Signature of Trustee |
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**FOR VALUE RECEIVED**, the undersigned sells, assigns and transfers unto

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Please print or typewrite name and address of assignee

…………………………………………………………………

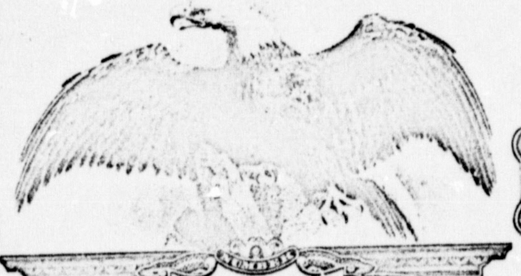
the within Debenture of BOEING AIRPLANE COMPANY and does irrevocably constitute and appoint

………………………………………………………………… Attorney

to transfer the said Debenture on the books of the within-named Company, with full power of substitution in the premises.

Dated: ……………………

…………………………………



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# THE BOEING COMPANY

## (FORMERLY BOEING AIRPLANE COMPANY)

## 4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980

**THE BOEING COMPANY**, a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to

SPECIMEN

or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, the principal sum of

DOLLARS,

or so much thereof as shall not be noted by indorsement hereon as paid, on July 1, 1980, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum, or so much thereof as shall not be noted by indorsement hereon as paid, at the rate of 4½% per annum to the registered holder hereof at such office or agency in like coin or currency from the date hereof semi-annually on January 1 and July 1 in each year until payment of said principal sum has been made or duly provided for.

This Debenture is one of a duly authorized issue of Debentures of the Company, limited to the aggregate principal amount of $30,597,600, known as its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called the "Debentures"), issued or to be issued under an indenture dated July 1, 1958 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures and coupons.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become, due and payable, in the manner and with the effect provided in the Indenture. As provided in the Indenture and subject to certain conditions, any such declaration may be rescinded by the holders of a majority in aggregate principal amount of the Debentures outstanding upon payment of all principal, premiums and interest then due otherwise than by acceleration. Such holders may also, prior to such declaration, waive any past default under the Indenture and its consequences except a default in the payment of the principal of, premium, if any, or interest on, any of the Debentures. Any such waiver or any consent by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange or substitution therefor, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

The Indebtedness evidenced by the Debentures is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of the principal of, premium, if any, and interest on all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures and coupons; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or reduce any premium payable on the redemption thereof, or impair the right, as set forth in the Indenture, to convert the Debentures, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Debenture at the places, at the respective times, at the rate and in the currency herein prescribed.

The holder of this Debenture is entitled, at his option, at any time on or before July 1, 1980, or in case this Debenture shall be called for redemption prior to such date, then to and including but not after the tenth day prior to the redemption date, to convert this Debenture (or, if this Debenture is of a denomination greater than $100, any portion of the principal amount which is $100 or an integral multiple thereof), at the principal amount hereof, or such portion hereof, into shares of Capital Stock of the Company, as said shares shall be constituted at the date of conversion, at the conversion rate of two shares of Capital Stock for each $100 principal amount of Debentures, or at the adjusted conversion rate in effect at the date of conversion determined as provided in the Indenture, all in accordance with the terms and provisions of the Indenture. As provided in the Indenture, the conversion rate is subject to adjustment in certain cases as set forth therein. No adjustment is to be made on conversion for interest accrued hereon or for dividends on securities issued on conversion. The Company is not required to issue fractional shares upon any such conversion, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Indenture. In case of a partial conversion of this Debenture the holder shall receive a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of this Debenture.

The Debentures are issuable as coupon Debentures, registrable as to principal, in denominations of $100, $500 and $1,000 and as registered Debentures without coupons in denominations of $1,000 and any multiple of $1,000. As provided and subject to the limitations set forth in the Indenture and upon payment of charges as therein provided, the coupon Debentures and registered Debentures without coupons of any denomination are exchangeable for other Debentures of any other authorised denomination or denominations of an equal aggregate principal amount, as requested by the holder surrendering the same at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York.

The Debentures are subject to redemption as a whole or in part, at any time or times, at the option of the Company, on not less than 30 nor more than 90 days' prior notice, as provided in the Indenture, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE 12 MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage |
|---|---|---|---|
| 1959 | 105½ | 1969 | 102½ |
| 1960 | 105 | 1970 | 102¼ |
| 1961 | 104½ | 1971 | 102 |
| 1962 | 104¼ | 1972 | 101¾ |
| 1963 | 104 | 1973 | 101½ |
| 1964 | 103¾ | 1974 | 101¼ |
| 1965 | 103½ | 1975 | 101 |
| 1966 | 103¼ | 1976 | 100¾ |
| 1967 | 103 | 1977 | 100½ |
| 1968 | 102¾ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, in each case together with accrued interest to the date fixed for redemption.

The Debentures are also subject to redemption in part, pursuant to the terms of the sinking fund provided in the Indenture, on January 1, 1968 and on any January 1 thereafter, to and including January 1, 1979, on notice as set forth above, at 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

This Debenture is transferable at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, by the registered holder hereof in person or by attorney duly authorized in writing but only in the manner, subject to the limitations, and upon payment of the charges provided in the Indenture, and upon surrender of this Debenture. Upon any such transfer a new registered Debenture or Debentures without coupons for a like aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the person in whose name this Debenture is registered as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment hereof or on account hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, or against any past, present or future stockholder, director or officer, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Debenture shall not become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

IN WITNESS WHEREOF, THE BOEING COMPANY has caused this Debenture to be signed manually or by facsimile by its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Debentures referred to in the within-mentioned Indenture.

*THE CHASE MANHATTAN BANK,*
as Trustee

By

Authorised Officer

1934

Dated
**THE BOEING COMPANY**
By
William M. Allen
President

Secretary

AMERICAN BANK NOTE COMPANY

**TERMS OF CONVERSION OF DEBENTURES INTO CAPITAL STOCK**

THIS DEBENTURE IS CONVERTIBLE INTO CAPITAL STOCK OF THE COMPANY UPON THE TERMS AND AT THE CONVERSION RATE SET FORTH ON THE FACE HEREOF, SUBJECT TO ADJUSTMENT OF THE CONVERSION RATE AS PROVIDED IN THE INDENTURE.

SURRENDER OF THE DEBENTURE FOR CONVERSION SHOULD BE MADE AT THE PRINCIPAL OFFICE OF THE TRUSTEE. THE DEBENTURE SHOULD BE ACCOMPANIED BY PROPER ASSIGNMENT THEREOF IN BLANK FOR TRANSFER.

IF YOU WISH TO CONVERT THIS DEBENTURE YOU MAY USE THE SPACES AT RIGHT FOR GIVING YOUR INSTRUCTIONS TO THE CONVERSION AGENT.

**DEBENTURES MAILED SHOULD BE SENT BY REGISTERED MAIL.**

No.R

THE CHASE MANHATTAN BANK,
NEW YORK, NEW YORK

THE UNDERSIGNED HEREBY SURRENDERS THE WITHIN 4½% CONVERTIBLE SUBORDINATED DEBENTURE OF THE BOEING COMPANY FOR CONVERSION INTO SHARES OF CAPITAL STOCK OF THE COMPANY AS PROVIDED IN THE INDENTURE THEREIN MENTIONED. PLEASE ISSUE SUCH SHARES IN THE NAME AND MAIL THE CERTIFICATE(S) THEREFOR TO THE ADDRESS GIVEN BELOW:

NAME IN WHICH STOCK CERTIFICATE SHOULD BE ISSUED (PLEASE PRINT)

______________________________
GIVE FIRST OR MIDDLE NAME IN FULL; IF A WOMAN INDICATE WHETHER "MISS" OR "MRS."

STOCKHOLDER'S MAILING ADDRESS

______________________________
NUMBER AND STREET, RURAL ROUTE, OR P. O. BOX

______________________________
CITY OR TOWN POSTAL ZONE NUMBER (IF ANY) STATE

SPECIAL INSTRUCTIONS FOR DELIVERY OF STOCK IF NOT TO BE DELIVERED TO ABOVE ADDRESS

______________________________

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DATED____________19____ SIGNATURE______________________

R

REGISTERED

## THE BOEING COMPANY

(formerly BOEING AIRPLANE COMPANY)
4½% CONVERTIBLE
SUBORDINATED DEBENTURE,
DUE JULY 1, 1980

INTEREST PAYABLE
JANUARY 1 and JULY 1

SPECIMEN

PRINCIPAL AND INTEREST PAYABLE
AT THE OFFICE OR AGENCY OF
THE COMPANY IN THE
BOROUGH OF MANHATTAN,
THE CITY OF NEW YORK,
NEW YORK.

United States Internal Revenue Stamps required by law have been affixed to the within-mentioned Indenture and cancelled.

**PAYMENTS ON ACCOUNT OF PRINCIPAL**

| Date | Principal Amount Paid | Balance of Principal Amount Unpaid | Authorized Signature of Trustee |
|---|---|---|---|
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**FOR VALUE RECEIVED,** the undersigned sells, assigns and transfers unto

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Please print or typewrite name and address of assignee

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the within Debenture of THE BOEING COMPANY and does irrevocably constitute and appoint

.............................................................................................. Attorney

to transfer the said Debenture on the books of the within-named Company, with full power of substitution in the premises.

Dated: ..............................

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LIMITED

# BOEING AIRPLANE COMPANY

## Minutes of Special Meeting
## of
## Board of Directors

June 23, 1958

A Special Meeting of the Board of Directors of Boeing Airplane Company was held at the Offices of the Company at Seattle, Washington, on Monday, June 23, 1958, commencing at 12:30 P.M.

There were present at the meeting the following Directors of the Company:

William M. Allen
Wellwood E. Beall
Darrah Corbet
C. L. Egtvedt
Fred P. Laudan
Paul Pigott
Dietrich Schmitz
J. O. Yeasting

Also present at the meeting were Mr. Lowell P. Mickelwait and Harold Olsen, of Counsel for the Company, and Mr. Edward P. Tremper, of Touche, Niven, Bailey and Smart, Auditors for the Company.

Mr. Allen presided at the meeting; Mr. Prince performed his duties as Secretary.

Mr. Yeasting reviewed the latest cash requirements forecast of the Company for the next few years and discussed the various changes and reasons therefor between the present forecast and that reviewed at the meeting of Directors May 6, 1958. Mr. Yeasting then distributed an "Outline of Financing Plans and Probable Pricing as of June 20, 1958," and reviewed in detail the various items therein.

There were then submitted to the meeting the following documents relating to the proposal to offer to stockholders of the Company rights to subscribe to $30,597,600 principal amount of _____% Convertible Subordinated Debentures, due July 1, 1980, such Subscription Offer to be underwritten by a group of

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Underwriters headed by Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc.:

1. Registration Statement (including forms of Preliminary Prospectus and Preliminary Summary Prospectus dated June 25, 1958, but not including exhibits) relating to $30,597,600 principal amount of _____% Convertible Subordinated Debentures of the Company and the shares of Capital Stock of the Company issuable upon conversions thereof;

2. Proposed form of Warrant to evidence rights to subscribe to Debentures pursuant to the Subscription Offer;

3. Proposed form of preliminary letter to be sent to stockholders to advise them of the Subscription Offer;

4. Proposed forms of two transmittal letters, one for forwarding copies of the final Prospectus to stockholders with A.P.O. or F.P.O. registered addresses or with registered addresses outside the continental United States and Canada, and the other for forwarding to other stockholders their Warrants and copies of the final Prospectus;

5. Proposed letter of instructions to the Subscription Agent with respect to the Subscription Offer;

6. Proofs of the proposed Debentures and coupons.

Prior drafts of the foregoing documents had previously been furnished to all of the Directors, and Messrs. Yeasting and Olsen reviewed the changes in such documents from the prior drafts. After discussion of the proposed Subscription Offer and the documents submitted to the meeting, the following resolutions were, on motion made and seconded, unanimously adopted:

RESOLVED, that the proposed Subscription Offer, as set forth in the form of Preliminary Prospectus presented to this meeting, to be made by the Company to its stockholders of $30,597,600 principal amount of its ___% Convertible Subordinated Debentures, due July 1, 1980 (the "Convertible Subordinated Debentures") is hereby approved.

RESOLVED, that 3:30 p.m., Eastern Daylight Saving Time, on July 15, 1958 (or the same time on such later day as the Registration Statement under the Securities Act of 1933 relating to the Convertible Subordinated Debentures becomes effective) is hereby fixed as the record date for the determination of the stockholders of the Company entitled to receive Warrants evidencing rights to subscribe for Convertible Subordinated Debentures pursuant to the Subscription Offer.

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RESOLVED, that pursuant to the Subscription Offer, the Company offer to the holders of record of the issued and outstanding shares of its Capital Stock the right to subscribe at a subscription price to be determined just prior to the offering, for an aggregate of $30,597,600 principal amount of Convertible Subordinated Debentures, at the rate of $100 principal amount of such Convertible Subordinated Debentures for each 23 shares of Capital Stock held of record at said record date; and that the Subscription Offer shall be made as promptly as practicable after the Registration Statement referred to above shall have become effective and shall expire at 3:30 p.m., Eastern Daylight Saving Time, on July 29, 1958 (or the same time on such later date which shall be the fourteenth day after the effective date of the Registration Statement relating to the Convertible Subordinated Debentures).

RESOLVED, that except as to the express terms thereof which have been fixed by, or which shall be fixed as provided by, the foregoing resolutions, the President or any Vice President of the Company is hereby authorized to make such changes in the Subscription Offer, prior to the time when the Subscription Offer shall be made to the stockholders, as in his discretion he may deem advisable, and to cause such changes to be reflected in the final form of Prospectus forming a part of the Registration Statement relating to the Convertible Subordinated Debentures; and that the Subscription Offer shall be made to stockholders in the form in which it shall be so set forth in said final form of Prospectus.

RESOLVED, that the form, terms and provisions of the Registration Statement on Form S-1, including the forms of Preliminary Prospectus and Preliminary Summary Prospectus, which has been submitted to this meeting covering the registration under the Securities Act of 1933 of the Convertible Subordinated Debentures and the shares of Capital Stock of the Company issuable upon conversions of the Convertible Subordinated Debentures, are hereby in all respects approved and that the proper officers of the Company are hereby authorized to execute and file such Registration Statement with the Securities and Exchange Commission.

RESOLVED, that the President or any Vice President or Treasurer or any Assistant Treasurer of the Company is hereby authorized from time to time to execute, in the name and on behalf of the Company, to procure all necessary signatures to, and to file with the Securities and Exchange Commission, such amendments to the Registration Statement, and to file with said Commission such supplements or amendements to any Prospectus or Summary Prospectus relating to the Convertible Subordinated Debentures, as such officer shall deem necessary or appropriate.

RESOLVED, that the signature of any director or officer of the Company required by law to affix his signature to the foregoing Registration Statement relating to the Convertible Subordinated Debentures and the shares of its Capital Stock issuable upon conversion of the Convertible Subordinated Debentures, or to any amendments thereto, may be affixed by said director or officer personally or by any attorney in fact duly constituted in writing by said director or officer to sign his name thereto.

RESOLVED, that City Bank Farmers Trust Company is hereby appointed Subscription Agent of the Company; that the letter of instructions to the Subscription Agent, a copy of which has been presented to this meeting, is

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hereby approved; that the President or any Vice President of the Company is hereby authorized and directed to sign and to forward to such Agent a copy of the letter of instructions with such changes therein as the officer of the Company signing said letter may approve, the signing thereof by such officer to be conclusive evidence of such approval; and that the Subscription Agent is hereby authorized and directed to act in accordance with the letter of instructions as so delivered to him and in accordance with the instructions of any officer of, or counsel for, the Company, whether supplementary to or in modification of the letter of instructions.

RESOLVED, that the proposed form of preliminary letter to stockholders dated June 25, 1958, a copy of which has been presented to this meeting, is hereby approved, and that the proper officers of the Company are hereby authorized to cause such letter to be mailed to holders of record of Capital Stock of the Company, with such changes therein as the officer of the Company signing said letter may approve, the signing thereof by such officer to be conclusive evidence of such approval.

RESOLVED, that the Company hereby approves and adopts in substantially the form submitted to this meeting the form of Warrant (being printed in full, without steel-engraved borders), evidencing the right to subscribe to ___% Convertible Subordinated Debentures, due July 1, 1980, of this Company (herein referred to as the "Warrants"), with such changes thereto as the President, any Vice President or the Treasurer may approve, and the facsimile signature of William M. Allen, as President of the Company, in the form submitted to this meeting, when imprinted on the Warrants.

RESOLVED, that in consideration of the New York Stock Exchange's approving as to form the Warrant referred to in the foregoing resolution, this Company hereby agrees to indemnify and hold harmless said Exchange and every innocent purchaser for value of a Warrant in said form, and every innocent purchaser for value of any other instrument which reasonably resembles and purports to be one of said Warrants, and which might be accepted as a genuine Warrant evidencing said rights by a person experienced in and having the responsibility for accepting the delivery of securities, from and against any and all loss, liability, claim, damages or expense, including costs, disbursements and counsel fees, arising by reason of (i) the issuance, printing or delivery of Warrants in said form, respresenting in the aggregate rights to subscribe for said Convertible Subordinated Debentures in excess of the principal amount of Convertible Subordinated Debentures duly authorized; (ii) the unauthorized affixing by anyone of said facsimile signature to any of said Warrants or to any such other instruments; (iii) the forgery, duplication, counterfeiting or copying of said facsimile signature on any Warrants in said form or on any such other instrument; or (iv) the issuance, printing or delivery of any such other instrument; provided that the Warrant in said form or such other instrument is presented to this Company or its duly authorized agent prior to the expiration date of the subscription period; that the agreement of indemnity embodied in this resolution is made for the benefit of third parties who may be holders of Warrants in said form or of instruments which reasonably resemble or purport to be said Warrants and which might be accepted as genuine Warrants by a person experienced in and having the responsibility for accepting the delivery of securities, and that the indemnity may be enforced by such third parties.

RESOLVED, that the form of transmittal letter for forwarding to stockholders with registered A.P.O. or F.P.O. addresses or with registered addresses outside

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the continental United States or Canada copies of the Prospectus and the form of transmittal letter for forwarding to other stockholders their Warrants and copies of the Prospectus, both of which are dated July 15, 1958, and copies of each of which letters have been presented to this meeting, are hereby approved; that the proper officers of the Company cause to be mailed to each holder of Capital Stock of record on the record date referred to in the preceding resolutions, as soon as practicable after the Registration Statement shall have become effective, (1) a copy of the final form of the Prospectus, (2) the appropriate form of transmittal letter in the form presented to this meeting, with such changes therein as shall be approved by the President or any Vice President of the Company and (3) in the case of stockholders having registered addresses within the continental United States or Canada, except stockholders with A.P.O. or F.P.O. registered addresses, a Warrant in substantially the form presented to this meeting, with such changes therein as shall be approved by the President or any Vice President of the Company, evidencing the rights to subscribe to which such stockholder shall be entitled under the Subscription Offer; and that Warrants, in the same form as those mailed to stockholders having registered addresses within the continental United States and Canada, except stockholders with A.P.O. or F.P.O. registered addresses, evidencing the rights to subscribe to which stockholders with A.P.O. or F.P.O. registered addresses or with registered addresses outside the continental United States and Canada shall be entitled under the Subscription Offer, shall be held by City Bank Farmers Trust Company, Subscription Agent, for the respective accounts of such stockholders for the purposes set forth in the form of letter of transmittal to such stockholders.

RESOLVED, that the Company create an issue of Debentures to be known as the "___% Convertible Subordinated Debentures, due July 1, 1980"; to be issued under and pursuant to an Indenture in such form as is later approved by this Board (the "Indenture") in an aggregate principal amount of $30,597,600; to be dated as set forth in the Indenture and to mature July 1, 1980; to bear interest payable semi-annually on January 1 and July 1 of each year, from the date and at the rate to be determined as hereinafter provided and to be specified in the Convertible Subordinated Debentures; to be payable as to principal and interest and as to any premium payable upon the redemption thereof at the office or agency of the Company for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts; the Convertible Subordinated Debentures to be issued as coupon debentures, payable to bearer and registrable as to principal only, in the denominations of $100, $500 and $1,000 and as fully registered debentures in denominations of $1,000, and any multiple of $1,000; to be redeemable (otherwise than for the sinking fund) at the election of the Company, as a whole at any time or in part from time to time, as to be provided in the Indenture, at redemption prices to be determined as hereinafter provided and to be specified in the Convertible Subordinated Debentures; to be convertible at the option of the holders thereof on or before July 1, 1980, in the manner and upon the terms and conditions to be provided in the Indenture, into fully paid and non-assessable shares of Capital Stock of the Company at a conversion rate to be determined as hereinafter provided and to be specified in the Convertible Subordinated Debentures; to be entitled to the benefit of the sinking fund to be provided in the Indenture and, to the extent to be provided in the Indenture, to be subject to redemption for the sinking fund as to be provided in the Indenture; and to have the other terms and provisions to be set forth in the Indenture.

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RESOLVED, that The Chase Manhattan Bank is hereby appointed to act as Trustee under the Indenture pursuant to which the Convertible Subordinated Debentures are to be issued.

RESOLVED, that (i) the rate of interest to be borne by the Convertible Subordinated Debentures, (ii) the subscription price for the Convertible Subordinated Debentures, (iii) the prices at which the Convertible Subordinated Debentures may be called for redemption at the election of the Company, (iv) the basic conversion rate at which the Convertible Subordinated Debentures shall be convertible into shares of Capital Stock, (v) the final terms and provisions of the Indenture under which the Convertible Subordinated Debentures are to be issued and (vi) the form, terms and provisions of any underwriting agreement with respect to the Convertible Subordinated Debentures, shall be determined by the Board of Directors prior to the effective date of the Registration Statement.

RESOLVED, that the forms of coupon Convertible Subordinated Debenture and coupon and the form of registered Convertible Subordinated Debenture without coupons presented to this meeting are hereby approved, with such changes thereon as may be approved by the President or any Vice President, such approval to be conclusively evidenced by the execution of the Convertible Subordinated Debentures.

RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of the Company (each of whom may sign by facsimile signature) are hereby authorized to execute, in the name and on behalf of the Company and under its corporate seal (which may be a facsimile of such seal), Convertible Subordinated Debentures substantially in the form approved at this meeting (with the blanks therein appropriately filled), and the Treasurer is authorized to sign (by facsimile signature) coupons attached thereto, for an aggregate principal amount of $30,597,600, and, at the appropriate time, to deliver the Convertible Subordinated Debentures to The Chase Manhattan Bank, Trustee under the Indenture, for authentication and delivery pursuant to the provisions of the Indenture upon the written order of the Company signed by its President or one of its Vice Presidents or its Treasurer.

RESOLVED, that facsimile signatures of the officers of the Company affixed to the Convertible Subordinated Debentures and coupons pursuant to the foregoing resolutions are hereby adopted as the signatures to be affixed in the name and on behalf of the Company.

RESOLVED, that the President or any Vice President or the Secretary of the Company are hereby authorized and directed to execute and deliver to the New York Stock Exchange an indemnity agreement in the following form, which is hereby approved:

> The resolutions of the Board of Directors of Boeing Airplane Company (hereinafter called the Company) authorizing the issuance of its ___% Convertible Subordinated Debentures due July 1, 1980 (hereinafter called the Securities) and Section 2.02 of the Indenture to be dated __________, 1958 between the Company and The Chase Manhattan Bank, Trustee (hereinafter called the Trustee), both provide that the Securities shall be signed either manually or in facsimile by two authorized officers of the Company and shall be authenticated by the manual signature of an authorized officer of the Trustee. The Company proposes that both officers of the Company duly authorized to sign the same shall do so in facsimile rather than only one in facsimile and the other manually.

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In consideration of the New York Stock Exchange's not interposing any objection to the undersigned Company's employing the facsimile signatures of said two officers of the Company in connection with the execution of the Securities in the name and on behalf of the Company, the Company on behalf of itself, its successors and assigns, covenants and agrees that every innocent purchaser for value of any instrument which has been prepared by American Bank Note Company in the form authorized by the Company for said Securities and which bears the facsimile signatures of said officers, or facsimile signatures resembling or purporting to be such facsimile signatures, and which has been manually authenticated by an authorized officer of the Trustee, may rely upon such facsimile signatures or any such facsimile signatures resembling or purporting to be such facsimile signatures, regardless of by whom or by what means the same may have been imprinted on said instrument, and that any such facsimile signatures or any such facsimile signatures resembling or purporting to be such facsimile signatures so relied on shall be as valid, effectual, conclusive and binding for all purposes upon the Company as if the same had in fact been executed manually for and on behalf of the Company by its proper officers thereunto duly authorized; and the Company hereby covenants and agrees to indemnify and hold harmless the New York Stock Exchange, its Governors, officers, employees and its subsidiary companies and every such innocent purchaser for value from and against any and all loss, liability, claim, damages or expense (whether such claim be groundless or otherwise) including costs, disbursements and counsel fees, arising out of any act done in reliance upon the authenticity of any such facsimile signatures or any such facsimile signatures resembling or purporting to be such facsimile signatures when imprinted as aforesaid.

RESOLVED, that The Chase Manhattan Bank is hereby appointed agent of the Company (with the title of Paying Agent) for the payment of the principal of, premium, if any, and interest on the Convertible Subordinated Debentures and coupons.

RESOLVED, that effective as of the effective date of the Registration Statement filed by this Company with the Securities and Exchange Commission in connection with the issuance of the Convertible Subordinated Debentures, the Company hereby reserves for issuance upon and in consideration of the surrender for conversion of Convertible Subordinated Debentures, in accordance with the provisions to be set forth in the Indenture, the number of shares of Capital Stock of the Company of the par value of $5 each into which the Convertible Subordinated Debentures will initially be convertible at the conversion rate fixed by the Board of Directors.

RESOLVED, that the issuance from time to time of shares of Capital Stock of the Company, out of the shares reserved pursuant to the next preceding resolution, upon and in consideration of the surrender for conversion of Convertible Subordinated Debentures in accordance with the provisions to be set forth in the Indenture, is hereby authorized and approved, and to that end the President or any Vice President and the Secretary or any Assistant Secretary, or the Treasurer or any Assistant Treasurer, of the Company are hereby authorized and directed to execute certificates in substantially the form heretofore approved for certificates of such Capital Stock and in the same manner heretofore authorized for the issuance of certificates of such Capital Stock.

RESOLVED, that the principal office of The Chase Manhattan Bank in the

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Borough of Manhattan, The City of New York, is hereby designated pursuant to the provisions of the Indenture as the office or agency of the Company in said Borough of Manhattan where the Convertible Subordinated Debentures may be presented for registration, transfer, exchange and conversion, and where notices and demands to or upon the Company in respect of the Convertible Subordinated Debentures and coupons or of the Indenture may be served.

RESOLVED, that the Company make application to the New York Stock Exchange for listing upon said Exchange, upon official notice of issuance, of $30,597,600 principal amount of __% Convertible Subordinated Debentures, due July 1, 1980, of the Company and of the shares of Capital Stock of the Company issuable upon conversions of such Convertible Subordinated Debentures, and that William M. Allen, President, J. O. Yeasting, Vice President-Finance, J. E. Prince, Secretary, or any of them, are hereby authorized and directed at such time as to them shall seem advisable, to make applications for such listings and, in connection therewith, to execute in the name and on behalf of the Company, under its corporate seal or otherwise, and to file or deliver all such applications, statements, certificates, agreements and other instruments and documents as shall be necessary to accomplish such listings; and that each of such officers is hereby authorized to appear on behalf of the Company before any committee or body of said Exchange and to execute such papers and agreements on behalf of the Company as may be necessary to comply with the requirements for such listings.

RESOLVED, that the Company make application to the New York Stock Exchange and the Securities and Exchange Commission for the registration of the Convertible Subordinated Debentures on said Exchange under the Securities Exchange Act of 1934, upon official notice of issuance; and that the proper officers of the Company are hereby authorized and directed to execute and file or deliver any and all such applications and other instruments as shall be necessary to effect such registration.

RESOLVED, that the proper officers of the Company are authorized, in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable to effect the registration or qualification of part or all of $30,597,600 principal amount of its __% Convertible Subordinated Debentures, due July 1, 1980, and of the shares of Capital Stock issuable upon conversions thereof and Warrants evidencing rights to subscribe therefor, under the Securities or Blue Sky laws of any of the states, of the United States, and, where necessary or advisable, to effect the registration of the Company as a dealer or broker in securities under such laws, and in connection therewith to execute, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions and other papers and instruments as may be required under such laws and to take any and all further action which they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem to be in the best interests of the Company.

RESOLVED, that the President, any Vice President, the Secretary or any Assistant Secretary of the Company are hereby authorized in the name and on behalf of the Company to execute and file irrevocable written consents on the part of the Company to be sued in such states of the United States of America wherein such consents to service of process may be requisite under the securities law thereof in connection with said registration or qualification of $30,597,600 principal amount of its __% Convertible Subordinated Debentures, due July 1, 1980, and the shares of Capital Stock issuable upon conversions

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thereof and Warrants evidencing rights to subscribe therefor or in connection with said registration of the Company as a dealer or broker, and to appoint the appropriate state official agent of the Company for the purpose of receiving and accepting process.

WHEREAS, this corporation has applied or is about to apply to the Commissioner of Corporations of the State of California for a permit authorizing it to sell certain securities of its own issue in the State of California; now, therefore,

BE IT RESOLVED, that pursuant to the provisions of the Corporate Securities Law of the State of California, the Commissioner of Corporations of the State of California, and his successor or successors in said office, be and he is hereby appointed the true and lawful attorney of this corporation upon whom all process in any action or proceeding against it arising out of or in connection with the sale of any security of its own issue may be served with the same effect as if this corporation were organized or created under the laws of the State of California and had been lawfully served with process therein, and that service upon such attorney shall be deemed to be personal service upon this corporation.

BE IT FURTHER RESOLVED, that J. E. Prince, Secretary, whose address is 7755 East Marginal Way, Seattle 24, Washington, be and he is designated as the person to whom a copy of every process served upon said Commissioner of Corporations in any action or proceeding brought or pending against this corporation in the said State of California shall be forwarded by mail, in accordance with the provisions of said Corporate Securities Law of said State of California.

BE IT FURTHER RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of this corporation be and they are authorized and directed to execute and acknowledge, as the act and deed of this corporation and in its corporate name, a power of attorney in writing in substantially the following form, to wit:

KNOW ALL MEN BY THESE PRESENTS:

That pursuant to the Corporate Securities Law of the State of California, Boeing Airplane Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, having applied or being about to apply to the Commissioner of Corporations of said State of California for a permit authorizing it to sell securities of its own issue in said State of California, has irrevocably constituted and appointed and by these presents does irrevocably constitute and appoint the Commissioner of Corporations of the State of California, and his successor or successors in said office, its true and lawful attorney upon whom all process in any action or proceeding against it arising out of or in connection with the sale of any security of its own issue may be served with the same effect as if said corporation were organized or created under the laws of the State of California and had been lawfully served with process therein.

Said corporation has further designated, and by these presents does designate, the following named person, to wit: J. E. Prince, Secretary, whose address is 7755 East Marginal Way, Seattle 24, Washington, as the

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person to whom a copy of every process served upon said Commissioner of Corporations in any action or proceeding against said corporation shall be forwarded by mail, in accordance with the provisions of said Law.

IN WITNESS WHEREOF, the said corporation, by a resolution of its Board of Directors, duly and regularly passed and adopted, has caused its corporate name to be hereunto subscribed and its corporate seal affixed by its Vice President and Assistant Secretary this _____ day of ____________, 1958.

BOEING AIRPLANE COMPANY

By ________________________________
Vice President

(Corporate Seal)

By ________________________________
Assistant Secretary

BE IT FURTHER RESOLVED, that when said power of attorney shall have been so executed and acknowledged, said Secretary be and he is further authorized and directed to file the same in the office of the said Commissioner of Corporations.

RESOLVED, that the proper officers of the Company are hereby authorized to take all such further action, and execute and deliver all such further instruments and documents, in the name and on behalf of the Company and under its corporate seal or otherwise, and to pay such expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and accomplish the purposes of the foregoing resolutions, and that any action which has heretofore been taken by such officers for such purposes is hereby approved and ratified.

There were then submitted to the meeting the following documents relating to the proposal to issue $60,000,000 principal amount of ___% Sinking Fund Debentures, due August 1, 1978, through a group of Underwriters headed by Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc.

1. Registration Statement (including forms of Preliminary Prospectus and Preliminary Summary Prospectus dated ________, 1958, but not including exhibits) relating to $60,000,000 principal amount of ____% Sinking Fund Debentures;
2. Proofs of the proposed Sinking Fund Debentures and coupons.

Prior drafts of the foregoing documents had previously been furnished to all Directors, and Messrs. Yeasting and Olsen reviewed changes in such documents from the prior drafts. After discussion of the proposed issue and the documents

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submitted to the meeting, the following resolutions were, upon motion made and seconded, unanimously adopted:

RESOLVED, that the proposal to issue $60,000,000 principal amount of ___% Sinking Fund Debentures, due August 1, 1978 (the "Sinking Fund Debentures"), is hereby approved.

RESOLVED, that the form, terms and provisions of the Registration Statement on Form S-1, including the forms of Preliminary Prospectus and Preliminary Summary Prospectus, which has been submitted to this meeting covering the registration under the Securities Act of 1933 of the Sinking Fund Debentures are hereby in all respects approved and that the proper officers of the Company are hereby authorized to execute and file such Registration Statement with the Securities and Exchange Commission.

RESOLVED, that the President or any Vice President or Treasurer or any Assistant Treasurer of the Company is hereby authorized from time to time to execute, in the name and on behalf of the Company, to procure all necessary signatures to, and to file with the Securities and Exchange Commission, such amendments to the Registration Statement, and to file with said Commission such supplements or amendments to any Prospectus or Summary Prospectus relating to the Sinking Fund Debentures, as such officer shall deem necessary or appropriate.

RESOLVED, that the signature of any director or officer of the Company required by law to affix his signature to the foregoing Registration Statement relating to the Sinking Fund Debentures, or to any amendments thereto, may be affixed by said director or officer personally or by any attorney in fact duly constituted in writing by said director or officer to sign his name thereto.

RESOLVED, that the Company create an issue of Sinking Fund Debentures to be known as the "___% Sinking Fund Debentures, due August 1, 1978"; to be issued under and pursuant to an Indenture in such form as is later approved by this Board (the "Indenture") in an aggregate principal amount of $60,000,000; to be dated as set forth in the Indenture and to mature August 1, 1978, to bear interest payable semi-annually on February 1,and August 1 of each year, from the date and at the rate to be determined as hereinafter provided and to be specified in the Sinking Fund Debentures; to be payable as to principal and interest and as to any premium payable upon the redemption thereof at the office or agency of the Company for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts; the Sinking Fund Debentures to be issued as coupon debentures, payable to bearer and registrable as to principal only, in the denomination of $1,000 and as fully registered debentures in denominations of $1,000 and any multiple of $1,000; to be redeemable (otherwise than for the sinking fund) at the election of the Company, as a whole at any time or in part from time to time as to be provided in the Indenture, at redemption prices and subject to certain limitations to be determined as hereinafter provided and to be specified in the Sinking Fund Debentures; to be entitled to the benefit of the sinking fund to be provided in the Indenture and, to the extent to be provided in the Indenture, to be subject to redemption for the sinking fund as to be provided in the Indenture; and to have the other terms and provisions to be set forth in the Indenture.

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AMERICAN BANK NOTE COMPANY

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RESOLVED, that City Bank Farmers Trust Company is hereby appointed to act as Trustee under the Indenture pursuant to which the Sinking Fund Debentures are to be issued.

RESOLVED, that (i) the rate of interest to be borne by the Sinking Fund Debentures, (ii) the price at which the Sinking Fund Debentures are to be sold, (iii) the prices at which the Sinking Fund Debentures may be called for redemption at the election of the Company, (iv) the final terms and provisions of the Indenture under which the Sinking Fund Debentures are to be issued and (v) the form, terms and provisions of any underwriting agreement with respect to the Sinking Fund Debentures, shall be determined by the Board of Directors prior to the effective date of the Registration Statement.

RESOLVED, that the forms of coupon Sinking Fund Debenture and coupon and the form of registered Sinking Fund Debenture without coupons presented to this meeting are hereby approved, with such changes thereon as may be approved by the President or any Vice President, such approval to be conclusively evidenced by the execution of the Sinking Fund Debentures.

RESOLVED, that the President or any Vice President and the Secretary or any Assistant Secretary of the Company (each of whom may sign by facsimile signature) are hereby authorized to execute, in the name and on behalf of the Company and under its corporate seal (which may be a facsimile of such seal), Sinking Fund Debentures substantially in the form approved at this meeting (with the blanks therein appropriately filled), and the Treasurer is authorized to sign (by facsimile signature) coupons attached thereto, for an aggregate principal amount of $60,000,000, and,,at the appropriate time, to deliver the Sinking Fund Debentures to City Bank Farmers Trust Company, Trustee under the Indenture, for authentication and delivery pursuant to the provisions of the Indenture upon the written order of the Company signed by its President or one of its Vice Presidents or its Treasurer.

RESOLVED, that facsimile signatures of the officers of the Company affixed to the Sinking Fund Debentures and coupons pursuant to the foregoing resolutions are hereby adopted as the signatures to be affixed in the name and on behalf of the Company.

RESOLVED, that City Bank Farmers Trust Company is hereby appointed agent of the Company (with the title of Paying Agent) for the payment of the principal of, premium, if any, and interest on the Sinking Fund Debentures and coupons.

RESOLVED, that the corporate trust office of City Bank Farmers Trust Company in the Borough of Manhattan, The City of New York, is hereby designated pursuant to the provisions of the Indenture as the office or agency of the Company in said Borough of Manhattan where the Sinking Fund Debentures may be presented for registration, transfer and exchange, and where notices and demands to or upon the Company in respect of the Sinking Fund Debentures and coupons or of the Indenture may be served.

RESOLVED, that the proper officers of the Company are authorized, in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable to effect the registration or qualification of part or all of $60,000,000 principal amount of its ___% Sinking Fund Debentures, due August 1, 1978, under the Securities or Blue Sky laws of any of the states of the United States, and in connection therewith to execute, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's

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covenants, resolutions and other papers and instruments as may be required under such laws and to take any and all further action which they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem to be in the best interests of the Company.

RESOLVED, that the President, any Vice President, the Secretary or any Assistant Secretary of the Company are hereby authorized in the name and on behalf of the Company to execute and file irrevocable written consents on the part of the Company to be sued in such states of the United States of America wherein such consents to service of process may be requisite under the securities laws thereof in connection with said registration or qualification of $60,000,000 principal amount of its ___% Sinking Fund Debentures, due August 1, 1978, or in connection with said registration of the Company as a dealer or broker, and to appoint the appropriate state official agent of the Company for the purpose of receiving and accepting process.

RESOLVED, that the proper officers of the Company are hereby authorized to take all such further action, and execute and deliver all such further instruments and documents, in the name and on behalf of the Company and under its corporate seal or otherwise, and to pay such expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and accomplish the purposes of the foregoing resolutions, and that any action which has heretofore been taken by such officers for such purposes is hereby approved and ratified.

The President directed that the documents submitted to the meeting be filed with the records of the Company.

At this point Messrs. Mickelwait, Olsen, and Tremper retired from the meeting.

Mr. Allen pointed out, that in connection with the execution of various documents for the proposed financing, it would be a convenience to have Mr. Melby appointed as an Assistant Secretary. Upon motion made and seconded, it was unanimously

RESOLVED, that Orville Melby be appointed an Assistant Secretary of the Company.

Mr. Allen then recommended that Fred Huleen be appointed as an additional member of the Retirement Committee. After discussion, upon motion made and seconded, it was unanimously

RESOLVED, that Fred Huleen hereby is appointed as an additional member of the Retirement Committee of the Boeing Airplane Company Employee Retirement Plan, such appointment to become effective on June 23, 1958,

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and on and after that date the Retirement Committee shall consist of: J. E. Prince, Chairman; Fred Huleen; A. F. Logan; Evan Nelsen.

It was then pointed out that in connection with the delivery of Model 707 and 720 aircraft it would be advisable to authorize certain persons to make delivery of such aircraft and to execute instruments in connection with such delivery. After discussion, upon motion made and seconded, it was unanimously

RESOLVED, that on and after June 23, 1958:

1. The President or any Vice President and the Secretary or any Assistant Secretary hereby are authorized in the name and on behalf of this Company to execute and deliver to any purchaser (or any nominee designated by it for the purpose) with respect to each Boeing Model 707 and 720 aircraft to be sold or delivered by this Company pursuant to the Purchase Agreement between this Company and any such purchaser, relating to the sale of Boeing Model 707 and 720 aircraft as amended and supplemented, a Bill of Sale of such aircraft and such other instruments or documents as may be requisite and necessary in connection with the sale and delivery of such aircraft.

2. The President or any Vice President of this Company hereby is authorized in the name of and on behalf of this Company to designate and authorize any person selected by any such officer (who may be any such officer or any other officer or employee of this Company or any other person) to make delivery to any purchaser (or any nominee designated by it for the purpose) of any Boeing Model 707 and 720 aircraft to be sold or delivered by this Company to any such purchaser or such nominee as aforesaid.

3. The President or any Vice President and the Secretary or any Assistant Secretary of this Company hereby are authorized in the name and on behalf of this Company to appoint G. R. Sanborn, R. J. Murphy, M. P. Hooker, L. A. Peters, and D. W. Borgerson, and each of them severally, as the Agents and Attorneys-in-Fact of this Company, authorizing them, and each of them, acting severally, for and upon behalf of this Company, to execute and deliver Bills of Sale for each Model 707 and 720 aircraft sold and delivered by this Company and such other instruments or documents as may be requisite and necessary in connection with the sale and delivery of such Model 707 and 720 aircraft.

Mr. Schmitz reported on behalf of the Contributions Committee and reviewed the various requests for contributions received by the Company and outlined the Committee's recommendations. After considerable discussion, upon motion made and seconded, it was unanimously

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RESOLVED, that the following contributions, or increases in contributions previously authorized, be approved: The Association of Washington Industries for the purpose of opposing the proposed initiative on pollution - $1,500; Wichita YMCA Building Fund - $10,000 for the current year; Emergency Red Cross Fund at Wichita - $5,000; Seattle Junior Achievement to aid in relocation of their offices and work shop - $1,000; National Air Transport Coordinating Committee - $5,000; Job Research Inc. in support of proposed Initiative 202 an additional $5,000; Seattle Chamber of Commerce, an increase in the annual contribution from $20,000 per year to $22,500 per year; provided that the proposed contributions to the National Air Transport Coordinating Committee and to Job Research Inc. be subject to further review by Mr. Allen and be made only upon his subsequent authorization.

RESOLVED FURTHER, that the Officers of the Company are authorized to make contributions in accordance with the foregoing resolution.

Mr. Beall reported on the recent announcement by the Air Force that the Company was to be awarded one of two contracts for developmental work on the so-called Dyna-Soar Project, and he reviewed the information available to the Company on the funds the Government would probably make available for this program for the next year or 18 months. He also reported on the CAA testing program for the 707 aircraft.

Mr. Yeasting referred to the procedure adopted by the Board at the meeting on March 25, 1958, for accruing amounts to be set aside in the Incentive Compensation Fund and to the resolutions adopted at that meeting directing that $5.0 million be accrued for the year 1958 in equal quarterly installments. He advised the Directors that gross income as that term was defined in the procedure for the year 1958 was now estimated to be $78.0 million. After discussion, upon motion made and seconded, it was unanimously

RESOLVED, that the remaining three quarterly accrual installments provided for by the resolution adopted by the Board on March 25, 1958, be reduced in the aggregate amount of $500,000, thereby providing accruals for the year 1958 of $4,500,000.

Mr. Allen reported on the terms of the agreement reached with the International Association of Machinists and that he had just been advised

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that the agreement had been signed.

There being no further business to come before the meeting, the same was, upon motion made and seconded, adjourned.

Secretary

Approved:

President

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**BOEING AIRPLANE COMPANY**
**HEADQUARTERS OFFICES**
P.O. BOX 3707
SEATTLE 24, WASHINGTON

IN REPLY REFER TO

June 26, 1958

City Bank Farmers Trust Company
Corporate Trust Division
Two Wall Street
New York 15, New York

Attention: Mr. James E. Robertson, Assistant Vice-President

Gentlemen:

Subject to the necessary regulatory approvals, this Company proposes to offer $30,597,600 principal amount of % Convertible Subordinated Debentures, due July 1, 1980 (hereinafter called the "Debentures"), for subscription at or before 3:30 p.m. Eastern Daylight Savings Time, on July 29, 1958 (hereinafter called the Expiration Date), by holders of its Capital Stock of record at the close of business on July 15, 1958, at the rate of $100 principal amount of Debentures for each 23 shares of Capital Stock. The subscription price will be determined on July 14, 1958.

Resolutions of our Board of Directors setting forth your appointment as Subscription Agent for the Company in respect of this proposed offer of Debentures and authorizing the delivery of this letter of instructions will be furnished to you in due course.

You will issue Warrants (in the form heretofore supplied to you) to all holders of Capital Stock of this Company of record on the above record date, indicating on each Warrant the number of Rights to which each such holder will be entitled.

In connection with the original issue of Warrants or transfers, splits, and groupings thereof, you are hereby authorized to affix the facsimile signature of William M. Allen, President of the Company, to all such Warrants.

This Company has filed a Registration Statement (Registration No. 2-14218 ) with the Securities and Exchange Commission, under the Securities Act of 1933 as amended, with respect to the $30,597,600 principal amount of Convertible Subordinated Debentures being offered. As soon as such Registration Statement shall become effective -

(1) This Company or its counsel, Holman, Mickelwait, Marion, Black & Perkins, will advise you of that fact by telephone, confirmed by letter; and

(2) Messrs. Holman, Mickelwait, Marion, Black & Perkins will deliver to you a copy of the order of the Securities and Exchange Commission declaring the Registration Statement effective under the Securities Act of 1933, as amended.

On July 15, 1958, after release by this Company, you will arrange to send by first class mail, without registration or insurance, to each holder of Capital Stock of this Company of record on the above record date, whose address of record is within the continental limits of the United States and Canada -

(1) A Warrant evidencing the Rights to which each such holder is entitled under the Subscription Offer;

(2) A copy of the Prospectus;

(3) A covering letter transmitting the Prospectus and Warrant; and

(4) A return mail envelope, addressed to yourselves, in the form selected by you.

You are directed to use air mail in forwarding these items to stockholders whose addresses are West of the Mississippi River, or in Canada.

With respect to stockholders whose registered addresses are outside of the continental United States and Canada or whose registered addresses are in care of the A.P.O. or the F.P.O., you are to send by air mail to each such holder of Capital Stock of this Company of record on the above record date, only a copy of the Prospectus and a covering letter in the form to be supplied by the Company. You shall hold such Warrants subject to satisfactory arrangements being made with you for the exercise or other disposition of the Rights evidenced thereby. If such arrangements are not made prior to 12 o'clock noon, Eastern Daylight Savings Time, on July 28, 1958, you shall endeavor to sell such Rights in your sole discretion and remit the aggregate net proceeds, if any, to the respective shareholders entitled thereto.

With respect to holders of unexchanged stock of United Aircraft & Transport Corporation, you are to send to each such holder on the above record date, only a copy of the Prospectus and a covering letter in the form furnished by the Company. You will issue and hold a Warrant (Balance Warrant) for the number of Rights equal to the number of shares of Capital Stock issuable in exchange for shares of United Aircraft & Transport Corporation at the close of business on July 15 and thereafter, when and as you shall receive shares of United Aircraft & Transport Corporation for exchange, you will issue out of such Balance Warrant, Warrants for the same number of Rights and in the same names as the Capital Stock of this Company is issued. Rights remaining in the Balance Warrant at 12 o'clock noon, Eastern Daylight Savings Time on July 28, 1958, are to be sold if possible and the proceeds held for pro rata distribution to the holders of United Aircraft & Transport Corporation stock upon the surrender thereof for exchange.

For the convenience of the stockholders of this Company, you are to make all necessary arrangements whereby a warrant holder may sell all Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23, or sell any Rights in excess of those required for his subscription. The execution of such an order is to be subject to your ability to find a seller or purchaser for the Rights, as the case may be. Brokerage commissions and other service charges paid or incurred by you in this connection will be paid by the Company. Orders for the purchase or sale of Rights received by you are to be executed as soon as practicable after receipt by set-off, and any remaining balances of sale or purchase orders for such Rights are to be executed on the New York Stock Exchange or otherwise in your discretion. Purchasers of Rights are to be billed and sellers are to receive payment on the basis of the average price at which such market orders are executed.

It is understood that you may be required to make payment to persons for whose account Rights have been sold before payment shall have been received from persons for whose account Rights shall have been purchased and before you shall have received payment for any excess Rights which you may be obliged to sell in the open market. To facilitate such operation and cover overdrafts occasioned thereby, we enclose our check to your order for $20,000, the proceeds of which are to be deposited as a "Revolving Fund" which is to be returned to us when its purpose has been served. Additional funds will be deposited as requested by you.

In connection with your appointment as Subscription Agent of this Company, you are hereby authorized and instructed as follows:

1. You will effect such transfers and denominational exchanges of Warrants as may be presented.

2. You will mail or deliver a copy of the Prospectus to all transferees of Warrants who have not theretofore received a copy thereof, and also deliver a copy of the Prospectus with the Debentures subscribed for, if such Debentures are delivered to other than the registered holder of the Warrants.

3. You will accept subscriptions and payment for the Debentures, requisition Debentures from Chase Manhattan Bank, Trustee, and deliver Debentures in accordance with the terms of the Prospectus and the respective Warrants surrendered to you.

4. You may accept subscriptions accompanied by payments in other than New York funds provided that delivery of the Debentures is withheld until the checks have been cleared.

5. You are to withhold delivery of Debentures to subscribers for whose account Rights have been bought until you receive and collect covering remittances.

6. You may accept subscriptions without presentation of Warrants alleged to have been lost, stolen or destroyed, provided delivery of Debentures is withheld until after the Expiration Date and you are satisfied that the Warrants in question have not been transferred or exercised.

7. You are authorized to issue replacement Warrants in lieu of those alleged not to have been received, or to have been lost, stolen or destroyed upon receipt of a written request, accompanied by an affidavit of the stockholder or letter of indemnity signed by a bank or broker, in the form acceptable to you.

8. You may accept subscriptions where you merely receive a letter from a subscriber indicating his desire to subscribe, enclosing the appropriate Warrants and payment in full of the subscription price. You may also accept subscriptions executed on behalf of the registered warrant holder by an agent without evidence of the authority of the agent to act, provided you receive payment in full of the subscription price. You may also receive subscriptions on behalf of a corporation without obtaining any resolutions, if Form 1 on the Warrant is executed on behalf of such corporation and you receive proper payment in full of the subscription price. The instructions contained in this paragraph 8 are subject to the condition that the Debenture(s) subscribed for be delivered to or for the account of the registered holder or assignee of the Warrant.

9. You are authorized to accept subscriptions without procuring further legal papers in support of such subscriptions as set forth in the instructions on the reverse side of the Warrant.

10. With respect to items where you are advised by a bank or broker that the Warrants are en route by mail, you are authorized to accept such items for subscription provided you obtain a properly executed letter or telegraphic advice guaranteeing such delivery and accompanied by payment in full of the subscription price.

11. You are not to accept subscriptions received after 3:30 p.m. New York City Time on the Expiration Date without express authority from the Company.

12. We will instruct you later as to the disposition to be made of the unused Warrants, unused Prospectuses and cancelled Warrants resulting from the exercise of Rights to Subscribe or from splitting or transferring of Warrants.

13. Funds received by you in payment of subscription are to be credited to our account in The First National City Bank of New York.

14. You are authorized to forward Debentures by registered insured mail or by first class insured mail under your special policy covering the mailing of negotiable securities.

15. You are to report daily by telephone (confirmed by letter) to Mr. Orville Melby, Assistant Treasurer of the Company, with copies to Harriman Ripley & Co., Incorporated and Holman, Mickelwait, Marion, Black & Perkins, the principal amount of Debentures subscribed and funds received in payment therefor and credited to this Company's account on the books of The First National City Bank of New York (with cumulative totals) and the number of Rights purchased and sold (with cumulative totals).

16. Warrants returned to you by the Post Office Department which you are not able to deliver and in respect of which you shall not have received any instructions as to disposition prior to 12 o'clock noon, Eastern Daylight Savings Time, on July 28, 1958, are to be sold by you if practicable and the proceeds, adjusted by taxes and commissions, if any, remitted to the respective shareholders, insofar as possible.

You are to follow the instructions, directions or advice of J. O. Yeasting or Orville E. Melby of this Company, or of Messrs. Holman, Mickelwait, Marion, Black & Perkins, counsel to this Company.

Very truly yours,

BOEING AIRPLANE COMPANY

ORIGINAL SIGNED BY
By J. O. YEASTING

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[CONFORMED]

BOEING AIRPLANE COMPANY

AND

THE CHASE MANHATTAN BANK,
*Trustee*

# Indenture

*Dated July 1, 1958*

**4½% Convertible Subordinated Debentures, due July 1, 1980**

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**THIS INDENTURE,** dated July 1, 1958, between BOEING AIRPLANE COMPANY, a Delaware corporation (herein called the "Company"), and THE CHASE MANHATTAN BANK, a New York corporation (herein called the "Trustee"),

WHEREAS, the Company has duly authorized the issue of its 4½% Convertible Subordinated Debentures, due July 1, 1980, hereinafter described (herein called the "Debentures"), for the aggregate principal amount of $30,597,600, and, to provide for the authentication and delivery thereof by the Trustee, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Debentures and the interest coupons to be attached thereto and the Trustee's certificate of authentication to be inscribed thereon shall be substantially in the following forms, respectively:

[FORM OF COUPON DEBENTURE]

No. ........................ $......................

## BOEING AIRPLANE COMPANY

### 4½% CONVERTIBLE SUBORDINATED DEBENTURE,
### DUE JULY 1, 1980

BOEING AIRPLANE COMPANY, a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to bearer (or, if this Debenture be registered as to principal, then to the registered holder hereof) at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, the principal sum of $ on July 1, 1980, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum at the rate of 4½% per annum at such office or agency in like coin or currency from July 29, 1958, semi-annually on January 1 and July 1 in each year until payment of said principal sum has been made or duly provided for, but, until maturity, only upon presentation and surrender of the interest coupons hereto annexed, as they severally mature.

This Debenture is one of a duly authorized issue of Debentures of the Company, limited to the aggregate principal amount of $30,597,600, known as its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called the "Debentures"), issued or to be issued under an indenture dated July 1, 1958 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures and coupons.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all Debentures may be declared, and upon such declaration shall become, due and payable, in the manner and with the effect provided in the Indenture. As provided in the Indenture and subject to certain conditions, any such declaration may be rescinded by the holders of a majority in aggregate principal amount of the Debentures outstanding upon payment of all principal, premiums and interest then due otherwise than by acceleration. Such holders may also, prior to such declaration, waive any past default under the Indenture and its consequences except a default in the payment of the principal of, premium, if any, or interest on, any of the Debentures. Any such waiver or any consent by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange or substitution therefor, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

The indebtedness evidenced by the Debentures and any coupons appertaining thereto is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture and any coupon appurtenant hereto, by accepting the same, agrees to and shall be bound by such provisions.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures and coupons; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or reduce any premium payable on the redemption thereof, or impair the right, as set forth in the Indenture, to convert the Debentures, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Debenture at the places, at the respective times, at the rate and in the currency herein prescribed.

The holder of this Debenture is entitled, at his option, at any time on or before July 1, 1980, or in case this Debenture shall be called for redemption prior to such date, then to and including but not after the tenth day prior to the redemption date, to convert this Debenture (or, if this Debenture is of a denomination greater than $100, any portion of the principal amount which is $100 or an integral multiple thereof), at the principal amount hereof, or such portion hereof, into shares of Capital Stock of the Company, as said shares shall be constituted at the date of conversion, at the conversion rate of 2 shares of Capital Stock for each $100 principal amount of Debentures, or at the adjusted conversion rate in effect at the date of conversion determined as provided in the Indenture, all in accordance with the terms and provisions of the Indenture. As provided in the Indenture, the conversion rate is subject to adjustment in certain cases as set forth therein. No adjustment is to be made on conversion for interest accrued hereon or for dividends on securities issued on conversion. The Company is not required to issue fractional shares upon any such conversion, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Indenture. In case of a partial conversion of this Debenture the holder shall receive a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of this Debenture.

The Debentures are issuable as coupon Debentures, registrable as to principal, in denominations of $100, $500 and $1,000 and as registered Debentures without coupons in denominations of $1,000 and any multiple of $1,000. As provided and subject to the limitations set forth in the Indenture and upon payment of charges as therein provided, the coupon Debentures and registered Debentures without coupons of any denomination are exchangeable for other Debentures of any other authorized denomination or denominations of an equal aggregate principal amount, as requested by the holder surrendering the same at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York.

The Debentures are subject to redemption as a whole or in part, at any time or times, at the option of the Company, on not less than 30 nor more than 90 days' prior notice, as provided in the Indenture, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE 12 MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage |
|---|---|---|---|
| 1959 | 105½ | 1969 | 102½ |
| 1960 | 105 | 1970 | 102¼ |
| 1961 | 104½ | 1971 | 102 |
| 1962 | 104¼ | 1972 | 101¾ |
| 1963 | 104 | 1973 | 101½ |
| 1964 | 103¾ | 1974 | 101¼ |
| 1965 | 103½ | 1975 | 101 |
| 1966 | 103¼ | 1976 | 100¾ |
| 1967 | 103 | 1977 | 100½ |
| 1968 | 102¾ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, in each case together with accrued interest to the date fixed for redemption.

The Debentures are also subject to redemption in part, pursuant to the terms of the sinking fund provided in the Indenture, on January 1, 1968 and on any January 1 thereafter, to and including January 1, 1979, on notice as set forth above, at 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

This Debenture shall pass by delivery except while registered as to principal. This Debenture may be registered as to principal upon presentation at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, such registration being noted hereon, after which no transfer hereof shall be valid unless made, as provided in the Indenture, at such office or agency by the registered holder hereof or by his attorney duly authorized in writing and similarly noted hereon; but this Debenture may be discharged from such registration by like transfer to bearer noted hereon, whereupon transferability by delivery shall be restored. Such registration, however, shall not affect the transferability by delivery of the coupons for the interest hereon, and such coupons shall continue to be payable to bearer and transferable by delivery. No service charge shall be made for any such registration, transfer or discharge from registration, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the bearer hereof, or, if registered as to principal, the registered holder hereof, and the bearer of any coupon appertaining hereto, whether or not this Debenture shall be registered as to principal, as the absolute owner of this Debenture or such coupon, as the case may be (whether or not this Debenture or such coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment hereof or on account hereof or of such coupon, as the case may be, and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or premium, if any, or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, or against any past, present or future stockholder, director or officer, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Neither this Debenture nor any coupon appertaining hereto shall be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

In Witness Whereof, Boeing Airplane Company has caused this Debenture to be signed manually or by facsimile by its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon, and coupons for interest, bearing the facsimile signature of its Treasurer, to be attached hereto.

Dated July 1, 1958.

**Boeing Airplane Company**

By ..............................................
*President*

..............................................
*Secretary*

[FORM OF COUPON FOR INTEREST]

No. ................ $................

On , 19 Boeing Airplane Company will pay to bearer, unless the Debenture below mentioned shall have been called for previous redemption and payment thereof duly provided for, at its office or agency in the Borough of Manhattan, The City of New York, New York, the amount shown hereon, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, being the interest then payable on its 4½% Convertible Subordinated Debenture, due July 1, 1980, No. ............

..............................................
*Treasurer*

[FORM OF REGISTERED DEBENTURE WITHOUT COUPONS]

The form of registered Debenture without coupons shall be substantially the same as the form of coupon Debenture except that there shall be substituted in lieu of the corresponding paragraphs in the form of the coupon Debenture the following paragraphs:

No. ............... $...............

## BOEING AIRPLANE COMPANY

### 4½% CONVERTIBLE SUBORDINATED DEBENTURE, DUE JULY 1, 1980

BOEING AIRPLANE COMPANY, a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to , or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, the principal sum of $ , or so much thereof as shall not be noted by indorsement hereon as paid, on July 1, 1980, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum, or so much thereof as shall not be noted by indorsement hereon as paid, at the rate of 4½% per annum to the registered holder hereof at such office or agency in like coin or currency from the date hereof semi-annually on January 1 and July 1 in each year until payment of said principal sum has been made or duly provided for.

* * * * * *

The indebtedness evidenced by the Debentures is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of the principal of, premium, if any, and interest on all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions.

* * * * * *

This Debenture is transferable at the office or agency of the Company in the Borough of Manhattan, The City of New York, New York, by the registered holder hereof in person or by attorney duly authorized in writing but only in the manner, subject to the limitations, and upon payment of the charges provided in the Indenture, and upon surrender of this Debenture. Upon any such transfer a new registered Debenture or Debentures without coupons for a like aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the person in whose name this Debenture is registered as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment hereof or on account hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary.

* * * * * *

This Debenture shall not become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture.

In Witness Whereof, Boeing Airplane Company has caused this Debenture to be signed manually or by facsimile by its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

Dated .............................., .........

**Boeing Airplane Company**

By .................................................
*President*

.................................................
*Secretary*

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Debentures referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By ..............................................
*Authorized Officer*

AND WHEREAS, the Company represents that all acts and things necessary to make the Debentures, when executed by the Company and authenticated and delivered by the Trustee, the valid, binding and legal obligations of the Company and to constitute these presents a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issue hereunder of the Debentures have in all respects been duly authorized, and the Company, in the exercise of legal right and power in it vested, executes this Indenture and proposes to make, execute, issue and deliver the Debentures;

NOW, THEREFORE:

For and in consideration of the premises, of the purchase and acceptance of the Debentures by the holders thereof and of the sum of One Dollar to it duly paid by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of all the present and future holders of the Debentures and coupons, subject to the provisions of Section 7.02, as follows:

## ARTICLE ONE.

### Definitions.

SECTION 1.01. *Certain Terms Defined.* The following terms (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act of 1939 or which are by reference therein defined in the Securities Act of 1933, as amended (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture.

*Authorized Newspaper:*

The term "Authorized Newspaper" shall mean a newspaper printed in the English language and customarily published at least once a day for at least five days in each calendar week and of general circulation in the Borough of Manhattan, The City of New York, New York, whether or not such newspaper is published on Saturdays, Sundays and legal holidays.

*Board of Directors:*

The term "Board of Directors" shall mean the Board of Directors of the Company or the Executive Committee of such Board.

*Capital Stock:*

The term "Capital Stock", when used with reference to stock of the Company, shall mean the presently authorized Capital Stock of the Company of the par value of $5 per share and stock of any other class into which such Capital Stock may hereafter be changed.

*Company:*

The term "Company" shall mean Boeing Airplane Company and, subject to the provisions of Article Fourteen, shall also include its successors and assigns.

*Consolidated Funded Indebtedness:*

The term "Consolidated Funded Indebtedness" shall mean the Funded Indebtedness of the Company and its Subsidiaries on a consolidated basis.

*Consolidated Net Earnings:*

The term "Consolidated Net Earnings" shall mean the consolidated net profit (or consolidated net loss) of the Company and its Subsidiaries as determined in accordance with generally accepted accounting principles and may be determined as of a date not more than 90 days prior to the happening of the event for which such determination is being made, provided that the responsible officers of the Company do not know of any change during such period which would have the effect of preventing the Company or any Subsidiary from taking the action with respect to which such determination is required.

*Consolidated Net Tangible Assets:*

The term "Consolidated Net Tangible Assets" shall mean the total assets of the Company and its Subsidiaries less the following:

(1) current liabilities, including liabilities for indebtedness maturing more than 12 months from the date of the original creation thereof but maturing within 12 months from the date of determination;

(2) reserves for depreciation and amortization and other asset valuation reserves;

(3) intangible assets such as good will, trademarks, brands, trade names and patents;

(4) treasury stock and unamortized debt discount and expense;

(5) appropriate adjustments on account of minority interests, if any, of other persons holding stock in any Subsidiary; and

(6) write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost.

Consolidated Net Tangible Assets shall be determined from a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles and may be determined as of a date not more than 90 days prior to the happening of the event for which such determination is being made, provided that the responsible officers of the Company do not know of any change during such period which would have the effect of reducing any ratio, in connection with which such determination is being made, below the ratio required.

*Conversion Rate:*

The term "conversion rate" shall mean the number of shares of Capital Stock into which each $100 principal amount of Debentures may be converted as hereinafter in Article Four provided.

*Coupon:*

The term "coupon" or "coupons" shall mean any interest coupon or coupons, as the case may be, appertaining to the Debentures.

*Date of Conversion:*

The term "date of conversion" shall mean the date on which any Debenture shall be surrendered for conversion and notice given in accordance with the provisions of Section 4.02.

*Debenture; outstanding:*

The term "Debenture" or "Debentures" shall mean any Debenture or Debentures, as the case may be, authenticated and delivered under this Indenture.

The term "outstanding", when used with reference to Debentures, shall, subject to the provisions of Section 11.04, mean, as of any particular time, all Debentures authenticated and delivered by the Trustee under this Indenture, except

(a) Debentures theretofore cancelled by the Trustee or delivered to the Trustee cancelled or for cancellation;

(b) Debentures or portions thereof for the payment (at maturity) or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), provided that, if such Debentures or portions thereof are to be redeemed, notice of such redemption shall have been given as in Article Five provided or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Debentures in lieu of or in substitution for which other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.07, unless proof satisfactory to the Trustee is presented that any such Debentures are held by bona fide holders in due course.

*Debentureholder:*

The terms "Debentureholder", "holder of Debentures", or other similar terms, shall mean any person who shall at the time be the bearer of any coupon Debenture which shall not at the time be registered as to principal or the registered holder of any registered Debenture without coupons or of any coupon Debenture which shall at the time be registered as to principal.

*Equipment Notes:*

The term "Equipment Notes" shall mean customers' paper (including chattel mortgages, conditional sales contracts, leases, trust receipts and other similar arrangements) arising out of the sale of products or merchandise by the Company or any Subsidiary.

*Event of Default:*

The term "Event of Default" shall mean any event specified in Section 9.01, continued for the period of time, if any, therein designated.

*Funded Indebtedness:*

The term "Funded Indebtedness" shall mean any indebtedness created, issued, incurred, assumed or guaranteed by the Company or any Subsidiary (except indebtedness of a Subsidiary in favor of the Company or a wholly-owned Subsidiary) which, whether secured or unsecured, matures more than one year after the date of determination thereof (excluding any amount thereof included in current liabilities) but shall not include:

(a) any indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness, if permitted under the instrument creating such indebtedness) in the necessary amount shall have been deposited in trust with the Trustee or proper depository either at or before the maturity or redemption date thereof;

(b) any obligation secured by a mortgage, pledge, lien or encumbrance of the following nature:

(1) (i) any mortgage, pledge, lien or other encumbrance created on any property hereafter acquired or constructed by the Company or a Subsidiary (other than property owned by the Company on the date of this Indenture) substantially contemporaneously with such acquisition or construction to secure or provide for the payment of all or any part of the purchase or construction price of such property, or (ii) any mortgage, pledge, lien or other encumbrance existing upon any property hereafter acquired by the Company or a Subsidiary (other than property owned by the Company on the date of this Indenture) at the time of acquisition thereof, whether or not assumed by the Company or such Subsidiary, or (iii) any mortgage, pledge, lien or other encumbrance hereafter created on any unimproved property owned by the Company on the date of this Indenture, or (iv) any conditional sales agreement or other title retention agreement with respect to any property or securities hereafter acquired, or (v) any mortgage, pledge, lien or other encum-

brance created on any securities hereafter acquired by the Company or any Subsidiary substantially contemporaneously with the acquisition of such securities to secure or provide for the payment of all or any part of the purchase price of such securities or created on the securities of any Subsidiary in connection with such acquisition; provided, however, that the lien of such mortgage, pledge, lien or encumbrance shall not extend to property owned prior to such acquisition or to other property thereafter acquired other than additions to such acquired property;

(2) any mortgage, pledge, lien or other encumbrance created for the sole purpose of extending, renewing or refunding (i) any mortgage, pledge, lien or encumbrance permitted by subsection (1) of this subparagraph (b), or (ii) any mortgage, pledge, lien or other encumbrance existing on the property of a corporation at the time such corporation shall become a Subsidiary, or any extensions, renewals or refundings of any such mortgage, pledge, lien or encumbrance; provided, however, that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or refunding and that such extension, renewal or refunding mortgage, pledge, lien or encumbrance shall be limited to all or any part of the same property that secured the mortgage, pledge, lien or encumbrance extended, renewed or refunded; or any extension, renewal or refunding of any conditional sales agreement or other title retention agreement permitted by said subsection (1) which does not increase the amount then payable thereunder;

(3) any mortgage, pledge, lien or other encumbrance created by the Company or a Subsidiary for the purpose of securing the payment of any United States Contract Financing of the Company or such Subsidiary, provided that such mortgage, pledge, lien or other encumbrance shall be limited to assets and contracts specified in the definition of "United States Contract Financing" in this Section 1.01;

(4) any liens or other evidences of interest in favor of the Government on inventories, material or supplies or accounts receivable identified with any contract for production or research or development with or for the Government; and liens or other evidences of

interest in favor of the Government, on any plants, facilities, equipment, supplies or other property hereafter constructed, installed or purchased by the Company or a Subsidiary primarily for the purpose of manufacturing or producing any product or performing any research or development work, directly or indirectly, for the Government to secure indebtedness incurred and owing to the Government for the construction, installation or purchase of such plants, facilities, equipment, supplies or other property;

(c) any obligations which mature within 12 months from the date thereof even though by their terms or otherwise any such obligations may be renewed or extended or the amount thereof reborrowed or refunded;

(d) any indebtedness incurred or guaranteed by the Company or any Subsidiary for the purpose of enabling the Company or such Subsidiary to hold or finance Equipment Notes;

(e) any indebtedness hereafter incurred by the Company which, by the terms of the instrument creating or evidencing such indebtedness, is subordinate and subject in right of payment to the prior payment in full of the indebtedness evidenced by the Debentures upon any distribution of the assets of the Company upon any dissolution or winding up or total liquidation or reorganization of the Company; or

(f) any indebtedness (whether or not secured by lien, pledge, or deposit) incurred by the Company or any Subsidiary solely for the purpose of constructing, acquiring or installing plants, facilities, equipment, supplies or other property required pursuant to, or to enable the performance of, contracts made with or at the request of the Government.

For the purpose of this definition of Funded Indebtedness "Government" shall mean the Government of the United States of America or any department or agency thereof.

*Indenture:*

The term "Indenture" shall mean this instrument as originally executed, or, if amended or supplemented as herein provided, as so amended or supplemented.

*Limited Stock Dividend:*

The term "Limited Stock Dividend" shall mean a dividend payable in Capital Stock declared subsequent to the date of this Indenture of not more than 4% (or if such dividend is greater than 4%, then such part thereof as shall not be greater than 4%) in any one calendar year of the number of shares of the Capital Stock outstanding on the declaration date of such dividend; *provided* that any such Limited Stock Dividend shall be deemed to be a Limited Stock Dividend only if and to the extent that the aggregate of the market values of all of the shares of Capital Stock issued in payment of all Limited Stock Dividends plus the aggregate of all cash dividends paid on Capital Stock subsequent to December 31, 1957 does not exceed, as of the date of declaration of any such stock dividend, Consolidated Net Earnings subsequent to December 31, 1957; and *provided, further,* that any such Limited Stock Dividend shall be deemed to be a Limited Stock Dividend only if and to the extent that the aggregate of the percentages of all such Limited Stock Dividends shall not exceed 12%. For the purposes of this definition market value shall mean the last reported sale price of the Capital Stock on the New York Stock Exchange (or if not listed on the New York Stock Exchange, then on any national securities exchange where listed) on the date of declaration of each stock dividend involved or, if there shall not have been a sale on such date, on the basis of the average of the bid and asked quotations therefor on said exchange on such date, or if the Capital Stock shall not then be listed on any national securities exchange, on the basis of the average of the bid and asked quotations in the over-the-counter market on such date.

*Officers' Certificate:*

The term "Officers' Certificate" shall mean a certificate signed by the president or any vice president and by the treasurer or any assistant treasurer or the secretary or any assistant secretary of the Company. Each such certificate shall include the statements provided for in Section 17.05, if and to the extent required by the provisions thereof.

*Opinion of Counsel:*

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel who shall be satisfactory to the Trustee and who may be an employee of or of counsel to the Company. Each such opinion shall include the statements provided for in Section 17.05, if and to the extent required by the provisions thereof.

*Principal Office of the Trustee:*

The term "Principal Office of the Trustee" shall mean the principal office of the Trustee in the Borough of Manhattan, The City of New York, New York.

*Registered Holder:*

The term "registered holder" shall mean the person or persons in whose name or names a particular registered Debenture without coupons shall be registered, or a particular coupon Debenture shall be registered as to principal, in the register or registers kept for that purpose in accordance with the terms of this Indenture.

*Responsible Officer:*

The term "responsible officer" or "responsible officers" when used with respect to the Trustee shall mean one or more of the following: the chairman of the board of directors, the vice chairman of the board of directors, the chairman of the executive committee, the vice chairman of the executive committee, the president, any vice president, the cashier, the secretary, the treasurer, any trust officer, any assistant trust officer, any second or assistant vice-president, any assistant cashier, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

The term "responsible officers of the Company" shall mean the president, all vice presidents, the secretary, the treasurer, and the controller.

*Senior Indebtedness:*

The term "Senior Indebtedness" shall mean the principal of and premium, if any, and interest on all indebtedness (other than the Debentures) incurred, assumed or guaranteed by the Company, either before or after the date of this Indenture, which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to the Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness.

*Subsidiary:*

The term "Subsidiary" shall mean a corporation or association more than 50% of the Voting Securities of which are owned directly or indirectly by the Company or by one or more of its other Subsidiaries or by the Company in conjunction with one or more of its other Subsidiaries and the accounts of which are customarily consolidated with those of the Company for the purpose of reporting to stockholders of the Company; *provided, however,* that the term "Subsidiary" shall not include any corporation substantially all of the physical properties of which are located outside the continental limits of the United States and Canada or any corporation which has been organized for the purpose of financing the sale or lease of aircraft or any corporation organized as a Western Hemisphere Trade Corporation, as defined in the Internal Revenue Code of 1954.

*Trustee:*

The term "Trustee" shall mean The Chase Manhattan Bank and, subject to the provisions of Article Ten, shall also include its successors.

*Trust Indenture Act of 1939:*

The term "Trust Indenture Act of 1939" shall mean the Trust Indenture Act of 1939 as in force at the date of this Indenture as originally executed.

*United States Contract Financing:*

The term "United States Contract Financing" shall mean (1) all debt incurred by the Company or a Subsidiary for money loaned to it under or pursuant to any procedure established by or pursuant to Regulation V issued by the Board of Governors of the Federal Reserve System on September 27, 1950, and any amendments thereof or any other regulation, administrative order or law substituted therefor or having substantially the same purpose and (2) all debt represented by notes issued by the Company or a Subsidiary if each of the following conditions shall be met: (a) such notes are issued to any bank or banks or other financing institution or institutions or to the United States Government or any department or agency thereof; and (b) such notes mature by their terms not more than 12 months from the respective dates of issue (but may be subject to refunding or to payment by new borrowing), and are issued principally for the purpose of providing funds, or reimbursing the Company or such Subsidiary for funds used, for (i) the acquisition, production, processing or carrying of any inventories or work in process required by the Company or a Subsidiary in order to enable it to perform any one or more orders or contracts (which term includes subcontracts) for or with respect to any product, material or supplies for war or defense purposes to be manufactured, produced or sold by the Company or a Subsidiary, directly or indirectly, to or for the United States Government or any department or agency thereof, or which is to be a part of or used in connection with any product, material or supplies to be sold or delivered, directly or indirectly, to such Government, department or agency, or (ii) the carrying of receivables arising from the performance of any of such orders or contracts, or (iii) the carrying of claims with respect to any of such orders or contracts which may have been terminated; and (c) the principal amount of such notes which may have been issued from time to time by the Company or a Subsidiary, together with any other such notes, including all debt described in clause (1) of this definition, at the time outstanding, shall not exceed 95% of the excess of the aggregate amount of its inventories, work in process, receivables and claims of the character above referred to over the then outstanding advances and partial and progress payments received by the Company or a

Subsidiary which are applicable to such inventories, work in process, receivables and claims.

*Voting Securities:*

The term "Voting Securities" shall mean those securities of a corporation or association having voting power for the election of directors or trustees, other than securities having such power only upon the happening of a contingency.

## ARTICLE TWO.

### Issue, Execution, Form and Registration of Debentures.

SECTION 2.01. *Authentication and Delivery.* The Debentures shall be designated as "4½% Convertible Subordinated Debentures, due July 1, 1980". Debentures for an aggregate principal amount not exceeding $30,597,600, except as provided in Section 2.07, may be executed by the Company and delivered to the Trustee for authentication upon the execution of this Indenture or from time to time thereafter, and the Trustee shall thereupon authenticate and deliver the Debentures upon the written order of the Company signed by its president or one of its vice presidents and by its treasurer or an assistant treasurer under its corporate seal, without any further corporate action on the part of the Company.

SECTION 2.02. *Execution.* The Debentures shall be executed on behalf of the Company by its president or one of its vice presidents and by its secretary or one of its assistant secretaries and its corporate seal shall be affixed thereto. Such signatures may be the manual or facsimile signatures of the present or any future such officers and may be imprinted or otherwise reproduced on the Debentures. The Company may adopt and use the signature or facsimile signature of any person who shall be any such officer of the Company at the time of the execution of Debentures, irrespective of the date as of which the same shall be executed, or of any person who shall have been any such officer of the Company, notwithstanding the fact that at the time the Debentures shall be authenticated and delivered or disposed of, he shall have ceased to be such officer of the Company. The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Debentures. The coupons attached to the coupon Debentures shall bear the facsimile signature of the present treasurer or of any future treasurer of the Company and for that purpose the Company may adopt and use the facsimile signature of any such treasurer notwithstanding the fact that at the time when such Debenture shall be authenticated and delivered or issued he shall have ceased to be the treasurer of the Company.

SECTION 2.03. *Form and Denomination.* The Debentures and coupons respectively shall be substantially in the forms hereinbefore set forth. The coupon Debentures shall be issuable in the denominations of $100, $500 and $1,000. The registered Debentures without coupons shall be issuable in the denominations of $1,000 and any multiple of $1,000. The coupon Debentures and the registered Debentures without coupons shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plan as the officers of the Company executing the same may determine with the approval of the Trustee.

Any of the Debentures may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted thereon such legend or legends as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any stock exchange or of any governmental commission, or to conform to general usage.

The coupon Debentures shall be dated July 1, 1958, and shall bear interest from July 29, 1958. The registered Debentures without coupons shall be dated the last interest payment date to which interest has been paid thereon preceding the date of authentication thereof by the Trustee (unless such date of authentication is an interest payment date to which interest has been paid, in which case they shall be dated that day) and shall bear interest from their date, except that registered Debentures authenticated by the Trustee prior to January 1, 1959 shall be dated and shall bear interest from July 29, 1958.

Section 2.04. *Detaching of Matured Coupons on Authentication.* The Trustee shall not authenticate or deliver any Debenture until all coupons thereon then matured (and as to which the interest is not in default) shall have been detached and shall have been cancelled, except as otherwise provided in Section 2.07.

Section 2.05. *Certificate of Authentication.* Only such Debentures as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited executed by the Trustee shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate of authentication of the Trustee upon any Debenture executed by the Company shall be conclusive evidence that the Debenture so authenticated was duly authenticated and delivered hereunder.

Section 2.06. *Registration, Transfer and Exchange.* The Company will keep at the Principal Office of the Trustee a register or registers, in which, subject to such reasonable regulations as it may prescribe, it will register all registered Debentures without coupons and also, upon presentation thereof for such purpose, any coupon Debentures as to the principal sum thereof, and the Company hereby constitutes and appoints the Trustee its Debenture registrar and transfer agent.

Upon surrender for transfer of any registered Debenture without coupons at such office, the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new registered Debenture or Debentures without coupons for a like aggregate principal amount of authorized denominations. Upon presentation for registration of any coupon Debenture at such office, such Debenture shall be registered as to principal in the name of the holder and the fact of such registration shall be noted on the Debenture by the Debenture registrar. No transfer of any coupon Debenture so registered shall be valid unless made at such office, and similarly noted on the Debenture, but the same may be discharged from registration by being in like manner transferred to bearer, whereupon transferability by delivery shall be restored. Coupon Debentures shall continue to be subject to successive registrations and discharges from registration, at the option of the holders. Such registration of any coupon Debenture shall not affect the transferability by delivery of the coupons appertaining thereto, which shall continue to be payable to bearer and transferable by delivery.

Coupon Debentures and registered Debentures without coupons, and the several authorized denominations thereof, shall be interchangeable, except that Debentures may not be exchanged for Debentures of a lesser denomination when such lesser denomination is less than $1,000. Debentures to be exchanged shall be surrendered at the Principal Office of the Trustee and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Debenture or Debentures which the Debentureholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding. All coupon Debentures surrendered for exchange and delivered in exchange shall have attached all unmatured coupons appertaining thereto and, in case at the time of any such exchange interest on the Debentures is in default, they shall in addition have attached all matured coupons in default appertaining thereto.

All registered Debentures without coupons and all coupon Debentures registered as to principal, presented for transfer, exchange, registration, discharge from registration, redemption or payment shall (if so required by the Company or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company duly executed by, the registered holder or by his duly authorized attorney.

No service charge shall be made for any exchange, transfer, registration or discharge from registration of Debentures, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and in addition a further sum not exceeding $2 for each new Debenture issued on any exchange or transfer.

The Company shall not be required (a) to issue, transfer or exchange registered Debentures without coupons for a period of ten business days next preceding any interest payment date, (b) to issue, register, transfer or exchange any Debentures for a period of ten business days next preceding any selection by lot of Debentures to be redeemed, or (c) to register, transfer or exchange any Debentures selected, called or being called for redemption.

SECTION 2.07. *Mutilated, Destroyed, Lost and Stolen Debentures.* In case any temporary or definitive Debenture shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Debenture (with coupons corresponding to the coupons, if any, appertaining to the mutilated, destroyed, lost or stolen Debenture), bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture and its coupons (if any), or in lieu of and substitution for the Debenture and its coupons (if any) so destroyed, lost or stolen. In case any coupon or coupons appertaining to any temporary or definitive Debenture shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Debenture (with coupons corresponding to the coupons appertaining to the Debenture with respect to which such coupon or coupons shall have become mutilated or shall be destroyed, lost or stolen), bearing a number not contemporaneously outstanding, in exchange and substitution for such Debenture and any coupons appertaining thereto which shall not be destroyed, lost or stolen and in lieu of and substitution for the coupons appertaining thereto which shall be destroyed, lost or stolen. In every case the applicant for a substituted Debenture shall furnish to the Company and to the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Debenture (or such coupon or coupons) and of the ownership thereof.

The Trustee may authenticate any such substituted Debenture and deliver the same with the appurtenant coupons (if any) upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Debenture, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith and in addition a further sum not exceeding $2 for each Debenture so issued in substitution. In case any Debenture or any coupon which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debenture, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debenture or coupon) if the applicant for such payment shall furnish the Company with such security or indemnity as it may require to save it harmless and, in case of destruction, loss or theft, evidence to the satisfaction of the Company of the destruction, loss or theft of such Debenture or coupon and of the ownership thereof.

Every substituted Debenture issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Debenture or any coupon is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture or coupon shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures and coupons duly issued hereunder. All Debentures and coupons shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures and coupons and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.08. *Cancellation of Surrendered Debentures; Cremation Thereof.* All Debentures and coupons surrendered for payment, redemption, transfer, exchange or conversion into Capital Stock shall, if surrendered to the Company or any paying or conversion agent, be cancelled and delivered to the Trustee or, if surrendered to the Trustee, shall be cancelled by it, and all Debentures and coupons delivered to the Trustee in satisfaction in whole or in part of any sinking fund obligation shall be cancelled by it; and no Debentures or coupons shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. On request of the Company the Trustee shall deliver to the Company cancelled Debentures and coupons held by the Trustee or shall cremate such Debentures and coupons and deliver to the Company a certificate of cremation. If the Company shall acquire any of the Debentures, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered to the Trustee cancelled or for cancellation.

SECTION 2.09. *Temporary Debentures.* Pending the preparation of definitive Debentures the Company may execute and the Trustee shall authenticate and deliver temporary Debentures (printed, lithographed or typewritten). Temporary Debentures shall be issuable as coupon Debentures with one or more coupons attached or registered Debentures without coupons, of any authorized denomination, and substantially in the form of the definitive Debentures but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Temporary Debentures may be issued without the provision entitling the holders to register the Debentures or the specific redemption prices set forth in Section 5.01, and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Debenture shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Debentures. Not later than December 15, 1960 the Company shall execute and shall furnish definitive Debentures and thereupon temporary Debentures may be surrendered in exchange therefor without charge at the office or agency to be maintained by the Company pursuant to Section 7.03, and the Trustee shall authenticate and deliver in exchange for such temporary Debentures a like aggregate principal amount of definitive Debentures of authorized denominations. Until so exchanged the temporary Debentures shall be entitled to the same benefits under this Indenture as definitive Debentures.

## ARTICLE THREE.

### Subordination of Debentures.

SECTION 3.01. *Agreement to Subordinate.* The Company, for itself, its successors and assigns, covenants and agrees, and each holder of Debentures, or any coupon, by his acceptance thereof, likewise covenants and agrees, that the payment of the principal of and premium, if any, and interest on each and all of the Debentures is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 3.02. *Distribution on Dissolution and Reorganization; Subrogation of Debentures.* Upon any distribution of assets of the Company upon any dissolution, winding up, total liquidation or reorganization of the Company, whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company or otherwise:

(a) the holders of all Senior Indebtedness shall first be entitled to receive payment thereof in full before the holders of the Debentures are entitled to receive any payment upon the principal of, premium, if any, or interest on indebtedness evidenced by the Debentures;

(b) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities to which the holders of the Debentures or the Trustee would be entitled except for the provisions of this Article Three shall be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, direct to the holders of Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness; and

(c) in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities shall be received by the Trustee or the holders of the Debentures before all Senior Indebtedness is paid in full, such payment or distribution shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

Upon the payment in full of all Senior Indebtedness, the holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness until the principal of, premium, if any, and interest on the Debentures shall be paid in full. No such payments or distributions applicable to the Senior Indebtedness shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Debentures, be deemed to be a payment by the Company to or on account of the Debentures.

The provisions of this Article Three are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of the Senior Indebtedness, on the other hand. Nothing contained in this Article Three or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holders of the Debentures, the obligation of the Company, which is unconditional and absolute, to pay to the holders of the Debentures the principal of (and premium, if any) and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or to affect the relative rights of the holders of the Debentures and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Three of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any distribution of assets of the Company referred to in this Article Three, the Trustee, subject to the provisions of Section 10.01, and the holders of the Debentures shall be entitled to rely upon a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the holders of the Debentures for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Three.

SECTION 3.03. *Payments on Debentures Permitted.* Nothing contained in this Article Three or elsewhere in this Indenture, or in any of the Debentures, shall affect the obligation of the Company to make, or prevent the Company from making, at any time except during the pendency of any such dissolution, winding up, total liquidation or reorganization proceedings, payments of principal of, premium, if any, or interest on the Debentures. Nothing contained in this Article Three or elsewhere in this Indenture, or in any of the Debentures shall prevent the application by the Trustee of any moneys deposited with it hereunder to the payment of or on account of the principal of, premium, if any, or interest on the Debentures.

Section 3.04. *Authorization of Debentureholders to Trustee to Effect Subordination.* Each holder of Debentures or coupons by his acceptance thereof authorizes and directs the Trustee in his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article Three and appoints the Trustee his attorney in fact for any and all such purposes, including the payment of any amount payable to him from the special account provided for in Section 10.13(a). Nothing contained in Section 10.13(a) shall affect the right of the Trustee to retain for its own account payments made on Senior Indebtedness held by the Trustee for its own account.

Section 3.05. *Written Notice Required Before Trustee Charged with Knowledge of Existence of or Default in Senior Indebtedness.* Notwithstanding the provisions of this Article Three or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any Senior Indebtedness or of any default in the payment of any Senior Indebtedness, or of any other facts which would prohibit the making of any payment of moneys to or by the Trustee, unless and until the Trustee shall have received written notice thereof.

## ARTICLE FOUR.

## Conversion of Debentures.

Section 4.01. *Conversion Privilege.* Subject to and upon compliance with the provisions of this Article Four, at the option of the holder, any Debenture, or any portion of the principal amount thereof which is $100 or an integral multiple thereof, may, at any time on or before July 1, 1980 (or if such Debenture is called for redemption before July 1, 1980, then in respect of such Debenture to and including but not after the close of business on the tenth day prior to the date fixed for such redemption) be converted at the principal amount thereof, or such portion thereof, into full paid and non-assessable shares of Capital Stock at the conversion rate in effect at the date of conversion.

Section 4.02. *Manner of Exercise of Conversion Privilege.* In order to exercise the conversion privilege, the holder of any Debenture to be converted shall surrender such Debenture, together with all unmatured coupons thereto appertaining, at the office or agency to be maintained by the Company pursuant to Section 7.03, and shall give written notice to the Company at such office or agency that the holder elects to convert such Debenture. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Capital Stock which shall be issuable on such conversion shall be issued. All Debentures surrendered for conversion shall be in bearer form or, if registered Debentures or coupon Debentures registered as to principal, shall be accompanied by proper assignments thereof in blank for transfer. As promptly as practicable after the receipt of such notice and the surrender of such Debenture as aforesaid, the Company shall issue and shall deliver at such office or agency to such holder, or on his written order, a certificate or certificates for the number of full shares issuable upon the conversion of such Debenture in accordance with the provisions of this Article Four and cash in respect of any fraction of a share of Capital Stock issuable upon such conversion as provided in Section 4.03. Such conversion shall be deemed to have been effected on the date on which such notice shall have been received by the Company and such Debenture shall have been surrendered as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Capital Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder or holders of record of the shares represented thereby, *provided, however,* that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the person or persons in whose name or names the certificates are to be issued as the record holder or holders thereof for all purposes on the next succeeding day on which such stock transfer books are open but such conversion shall be at the conversion rate in effect on the date of such surrender. No adjustment shall be made for interest accrued on any Debenture that shall be converted or for dividends on any Capital Stock that shall be issued upon the conversion of such Debenture as provided in this Article Four. In case any Debenture of a denomination greater than $100 shall be surrendered for conversion of a part only of the principal amount thereof ($100 or any integral multiple thereof), the Company, without charge, shall execute and the Trustee shall thereupon authenticate and deliver to or upon the order of the holder of the Debenture so surrendered a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Debenture.

SECTION 4.03. *Fractional Shares.* The Company shall not be required to issue fractions of shares of Capital Stock upon conversions of Debentures. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Debentures so surrendered. If any fractional interest in a share of Capital Stock shall be due upon the conversion of any Debenture or Debentures, the Company shall, in lieu of issuing such fractional interest, pay an amount in cash equal to the current market value of such fractional interest computed either on the basis of the last reported sale price of Capital Stock on the New York Stock Exchange (or if not listed on the New York Stock Exchange, then on any national securities exchange where listed) on the last business day prior to the date of conversion or, if there shall not have been a sale on such last business day, on the basis of the average of the bid and asked quotations therefor on said exchange on such last business day, or if the Capital Stock shall not then be listed on any national securities exchange, on the basis of the average of the bid and asked quotations in the over-the-counter market on such last business day.

SECTION 4.04. *Conversion Rate.* The basic conversion rate at which Capital Stock of the Company shall be issuable upon conversion of Debentures shall be 2 shares of Capital Stock for each $100 principal amount of Debentures, the conversion rate being subject to adjustment as hereinafter provided.

SECTION 4.05. *Adjustment of Conversion Rate.* The conversion rate shall be adjusted from time to time as follows:

(a) If and whenever the Company shall issue at any time after July 1, 1958 any shares of Capital Stock (excluding (i) shares of Capital Stock issued upon conversion of the Debentures and (ii) up to 350,000 shares of Capital Stock (such maximum number of shares to be appropriately adjusted on the basis of stock dividends, stock subdivisions and stock consolidations subsequent to July 1, 1958 applied to the then unissued balance of such shares) which may be issued after July 1, 1958 pursuant to the Company's Stock Option Plan or Incentive Compensation Plan for Officers and Employees as in effect on the date hereof or as hereafter amended, all shares (as so adjusted) referred to in this subparagraph (ii) being herein referred to as the "Excluded Shares") then successively upon each such issuance the conversion rate shall be immediately (except as provided in subparagraph (f) below) adjusted in accordance with the following formula:

> $100 shall be multiplied by the number of shares of Capital Stock outstanding after any such issuance (excluding shares of Capital Stock issued upon the conversion of the Debentures and excluding the Excluded Shares) and the resulting product shall be divided by the aggregate consideration, determined in accordance with subparagraph (b) of this Section 4.05, received by the Company for its shares of Capital Stock then outstanding (excluding shares of Capital Stock issued upon the conversion of the Debentures and excluding the Excluded Shares). The resulting quotient, adjusted to the nearest one-hundredth, shall thereafter be the conversion rate (until further adjusted) if it is greater than the basic conversion rate, as defined in subparagraph (d) of this Section 4.05. If the resulting quotient, adjusted to the nearest one-hundredth, is less than the basic conversion rate, as so defined, the conversion rate shall be the basic conversion rate.

(b) For the purpose of this Section 4.05, the Company shall be deemed to have received as consideration for the shares of its Capital Stock outstanding at the time of making any computation hereunder the sum of $351,872,350 plus any additional consideration received by the Company after July 1, 1958, which additional consideration shall be determined as follows:

(i) In the case of the issuance of shares for cash, the consideration shall be the amount of such cash, provided that in no case under this subparagraph (b) shall any deduction be made for any commissions or any expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) In the case of the issuance of shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors;

(iii) In the case of shares issued as a stock dividend other than a Limited Stock Dividend, no consideration shall be deemed to have been received therefor and such shares shall be deemed to have been issued at the close of business on the record date for the determination of stockholders entitled to receive the same;

(iv) In the case of shares issued as a Limited Stock Dividend the consideration shall be deemed to be the number of shares so issued multiplied by the market value thereof (determined as provided in the definition of "Limited Stock Dividend" in Section 1.01) on the date of the declaration thereof; and

(v) In case the Company shall at any time after July 1, 1958, issue any new securities, other than the Debentures, convertible into Capital Stock, or issue or grant any options or rights to subscribe for Capital Stock (other than options in respect of Excluded Shares granted under the Stock Option Plan referred to in subparagraph (a) of this Section 4.05), the shares of Capital Stock issuable on the conversion of any such securities or upon the exercise of any such options or rights, (A) if inclusion thereof would result in a conversion rate greater than if excluded, shall be deemed (so long as such conversion or subscription privilege is outstanding), for the purpose of the computation made pursuant to subparagraph (a) of this Section 4.05, to have been issued at the time of the issuance or grant of such convertible securities, options or rights and (B) in every other case shall be deemed to be issued at the close of business on the date of conversion of such convertible securities or exercise of such options or rights. The Company for the purpose of any computation under this subsection (v) shall be deemed to have received a consideration for such Capital Stock equal to the consideration received by the Company for the convertible securities, options or rights so issued or granted, plus the consideration, if any, to be received by the Company upon their conversion or the exercise of any such options or rights, as the case may be.

(c) For the purpose of this Section 4.05, a sale by the Company of securities which had been issued and outstanding and were acquired by the Company and which have not been retired shall not be deemed an issuance of such securities, nor shall the sale by the Company of Capital Stock issued to it upon conversion of the Debentures be deemed an issuance of such Capital Stock.

(d) In case shares of Capital Stock at any time outstanding shall be subdivided into a greater or consolidated into a lesser number of shares, either with or without par value, then the current conversion rate and the basic conversion rate shall be proportionately increased or decreased, as the case may be, and in the case of a stock dividend other than a Limited Stock Dividend, the basic conversion rate shall be proportionately increased and the current conversion rate shall be subject to adjustment in accordance with the formula set forth in subparagraph (a) of this Section 4.05. The basic conversion rate as used in this Section 4.05 shall mean the basic conversion rate hereinbefore stated in Section 4.04, as such basic conversion rate may be adjusted from time to time pursuant to this subparagraph (d) of Section 4.05; *provided* that if any such adjustment of the basic conversion rate has once been made, then each subsequent adjustment thereof shall be made with respect to the last previously established basic conversion rate.

(e) In case of any reclassification or change of outstanding shares of Capital Stock of the class issuable upon conversion of the Debentures (other than a change from no par value to par value, or from par value to no par value, or a change in par value, or as a result of a subdivision or consolidation of shares), or in case of any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger with a Subsidiary in which consolidation or merger the Company is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Capital Stock of the class issuable upon conversion of the Debentures), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the holder of each Debenture then outstanding shall have the right thereafter, at any time on or before July 1, 1980 (or if such Debenture is called for redemption on or before July 1, 1980, then in respect of such Debenture to and including but not after the close of business on the tenth day prior to the date fixed for such redemption), to convert such Debenture into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance, by a holder of the number of shares of Capital Stock of the Company into which such Debenture might have been converted immediately prior to such reclassification, change, consolidation, merger, sale or conveyance.

(f) Whenever the amount by which the conversion rate would be changed in accordance with the foregoing provisions of this Section 4.05 is less than one-twentieth of a share of Capital Stock the Company, at its option, need not make such adjustment at that time. Whenever the amount by which the conversion rate would be changed in accordance with the foregoing provisions of this Section 4.05 is more than one-twentieth of a share of Capital Stock, the Company shall be required to make at that time only that part of such adjustment which will result in changing the conversion rate by the largest possible multiple of one-twentieth of a share of Capital Stock. The remainder of any such adjustment or any part thereof may nevertheless be made by the Company at that time at its option.

In case at any time conditions shall arise by reason of action taken by the Company, which, in the opinion of the Board of Directors, are not adequately covered by the other provisions of this Section 4.05 and which might materially and adversely affect the conversion rights pertaining to the Debentures, or in case at any time any such conditions are expected to arise by reason of any action contemplated by the Company, the Board of Directors shall appoint a firm of independent public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company), who shall deliver their written opinion to the Company and to the Trustee and any conversion agent as to the adjustment, if any (not inconsistent with the standards established in this Section 4.05), of the conversion rate (including, if necessary, any adjustment as to the securities into which the Debentures may thereafter be converted) which is, or would be, required to preserve without dilution the conversion rights pertaining to the Debentures. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or the taking of any such action contemplated, as the case may be; *provided, however,* that no adjustment of the conversion rate shall be made which in the opinion of the firm of accountants giving the aforesaid opinion would result in a decrease of the conversion rate to less than the then basic conversion rate, except as otherwise provided in subparagraph (d) of this Section 4.05.

Whenever the Company shall make any adjustment in the conversion rate as herein provided, the Company shall forthwith (a) file with the Trustee and any conversion agent a statement, signed by the president or any vice president of the Company and by its treasurer or an assistant treasurer, showing in detail the facts requiring such adjustment and the conversion rate that will be effective after such adjustment and (b) publish at least once in an Authorized Newspaper a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price.

SECTION 4.06. *Taxes on Conversions.* The issue of stock certificates on conversions of Debentures shall be made without charge to the converting Debentureholder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the holder of any Debenture converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 4.07. *Company to Reserve Stock.* The Company shall at all times reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Debentures, such number of its duly authorized shares of Capital Stock as shall from time to time be sufficient to effect the conversion of all outstanding Debentures.

If any shares of Capital Stock, reserved or to be reserved, for the purpose of conversion of Debentures hereunder, require registration with or approval of any governmental authority under any Federal or State law, before such shares may be validly issued upon conversion, then the Company covenants that it will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

Before taking any action which would cause an adjustment reducing the conversion price ($100 divided by the current conversion rate) below the then par value, if any, of the shares of Capital Stock issuable upon conversion of the Debentures, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue full paid and non-assessable shares of such Capital Stock at such adjusted conversion price.

The Company covenants that all shares of Capital Stock which may be issued upon conversion of Debentures will upon issue be full paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

SECTION 4.08. *Disclaimer of Responsibility for Certain Matters.* Subject to the provisions of Section 10.01, the Trustee or any conversion agent shall not at any time be under any duty or responsibility to any holder of

Debentures to determine whether any facts exist which may require any adjustment of the conversion rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee or any conversion agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Capital Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Debenture, and it makes no representation with respect thereto. The Trustee or any conversion agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Capital Stock or stock certificates or other securities or property upon the surrender of any Debenture for the purpose of conversion or to comply with any of the covenants of the Company contained in this Article Four.

## ARTICLE FIVE.

## Redemption of Debentures.

SECTION 5.01. *Right of Redemption and Redemption Prices.* Debentures may be redeemed in the manner, on the dates, and at the redemption prices specified in this Section 5.01:

(a) The Company at its option may redeem at any time (provided that at the time of first publication of the notice of redemption pursuant to Section 5.02 it is not in default in the payment of any Senior Indebtedness, and that at such time the making of such redemption would not result in a default in any covenant contained in any indenture or other instrument pursuant to which Senior Indebtedness is outstanding) all, or from time to time any part of, the Debentures upon payment of the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE 12 MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage |
|---|---|---|---|
| 1959 | 105½ | 1969 | 102½ |
| 1960 | 105 | 1970 | 102¼ |
| 1961 | 104½ | 1971 | 102 |
| 1962 | 104¼ | 1972 | 101¾ |
| 1963 | 104 | 1973 | 101½ |
| 1964 | 103¾ | 1974 | 101¼ |
| 1965 | 103½ | 1975 | 101 |
| 1966 | 103¼ | 1976 | 100¾ |
| 1967 | 103 | 1977 | 100½ |
| 1968 | 102¾ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, in each case together with accrued interest to the date fixed for redemption.

(b) The Debentures may also be redeemed on January 1, 1968, and on any January 1 thereafter to and including January 1, 1979, through the operation of the sinking fund set forth in Article Six, upon payment of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

SECTION 5.02. *Notice of Redemption; Partial Redemptions.* In case the Company shall desire to exercise the right to redeem all or any part of the Debentures, as the case may be, pursuant to Section 5.01, it shall publish prior to the date fixed for redemption a notice of such redemption at least twice in an Authorized Newspaper, the first such publication to be not less than 30 days and not more than 90 days before the date fixed for redemption. Such publications shall be in successive weeks but on any day of the week. It shall not be necessary for more than one such publication to be made in the same newspaper. A copy of such notice shall be mailed by the Company at least 30 days prior to such redemption date to the holders of the registered Debentures without coupons and the holders of the coupon Debentures registered as to principal so to be redeemed at their last addresses as they shall appear upon the registry books, but failure to give or receive such notice by mail, or any defect therein, shall not affect the validity of any proceedings for the redemption of Debentures.

The notice of redemption shall specify the Debentures or portions thereof to be redeemed, the date fixed for redemption, the place of redemption, and the redemption price at which such Debentures or portions thereof are to be redeemed, shall state that payment of the redemption price, with accrued interest to the date fixed for redemption (unless the date fixed for redemption shall be an interest payment date), will be made on presentation of the Debentures to be redeemed at said place of redemption with all coupons thereto appertaining maturing after such redemption date, and that from and after said date interest thereon will cease to accrue. The notice of redemption shall also include a statement with respect to the existence of the conversion rights of the holders of the Debentures or portions thereof called for redemption and shall state (i) the date on which such rights will terminate as to the Debentures or portions thereof called for redemption and (ii) the conversion rate at the time applicable.

If the Company shall elect to redeem less than all of the Debentures then outstanding, it shall, at least ten days in advance of the date of first publication of the notice of redemption, give the Trustee notice as to the aggregate principal amount of the Debentures to be redeemed, and thereupon the Trustee shall select by lot, in such manner as it shall deem appropriate and fair (including the selection of any part of the particular Debentures to be redeemed by lot in entire groups of Debentures consisting of all Debentures bearing numbers ending in the same digit or in the same last two digits), from the numbers of outstanding Debentures, the distinguishing numbers of a principal amount of Debentures equal to such aggregate principal amount of Debentures to be redeemed and shall thereafter promptly notify the Company in writing of the numbers of the Debentures or the portions thereof so to be redeemed. For the purpose of any such selection by lot the Company will, upon request of the Trustee, close for a period of not exceeding ten days the registry books for the Debentures. The notice of redemption shall specify the numbers (in whole or in part either individually, or in groups from one number up to another, inclusive, or by last digit or digits) of Debentures to be redeemed, and in case of any Debenture which is to be redeemed in part only, the notice shall specify the serial number of such Debenture and the portion of the principal amount thereof to be redeemed and shall state that on and after the redemption date, upon surrender of such Debenture, a new Debenture or new Debentures in principal amount equal to the unredeemed portion of such Debenture will be delivered or, at the option of the holder of a registered Debenture without coupons, the Trustee or any paying agent shall make a notation on the Debenture so presented of the payment, as of the redemption date, of the redeemed portion of the principal amount thereof.

In case any registered Debenture without coupons shall be of a denomination greater than $1,000 the Trustee shall include the serial number of such Debenture in such drawing as many times as $1,000 is contained in the principal amount thereof.

For the purpose of any redemption of less than all the Debentures the Trustee may treat as outstanding Debentures surrendered for conversion during a period of ten business days immediately preceding the date of the first publication of notice of redemption.

As to the publication of any notice of redemption the affidavit of any officer of the Company or of an employee of the newspaper directed to make such publication shall be full and complete authority to the Trustee for any action to be taken by it in reliance thereon. The Company covenants and agrees that in any case where the first publication of the notice of redemption shall have been made, the Company will complete the necessary publication of such notice and not less than three days before the redemption date specified in such notice will deposit with the Trustee an amount in cash sufficient to redeem all of the Debentures or portions thereof so called for redemption, including accrued interest.

SECTION 5.03. *Payment of Debentures Called for Redemption.* Publication of the notice of redemption having been completed as above provided and the Company not less than three days before the redemption date specified in the notice of redemption having deposited with the Trustee an amount in cash sufficient to redeem all the Debentures or portions thereof called for redemption (other than any such Debentures or portions thereof which have been converted prior to the close of business on the tenth day before such redemption date), including accrued interest, the Debentures or portions thereof called for redemption shall become due and payable on such redemption date at the place of redemption specified in such notice and from and after such redemption date (unless the Company shall default in the payment of such Debentures or portions thereof at the redemption price, together with interest accrued thereon to the date fixed for redemption) such Debentures or portions thereof shall cease to bear interest and the coupons for interest thereon maturing subsequent to the redemption date shall be void and such Debentures or portions thereof shall no longer be deemed to be outstanding hereunder and shall cease to be entitled to the benefits of this Indenture except to receive payment from the moneys reserved therefor in the hands of the Trustee. The Trustee shall hold the redemption moneys in trust (subject to the provisions of Section 15.04) for the holders of the Debentures or portions thereof called for redemption and payment of such moneys shall be made to such holders respectively upon presentation and surrender, at the place of redemption specified in the notice of redemption, of such Debentures with all coupons thereto attached maturing after the redemption date. In any case where the redemption date shall be an interest payment date, payment of the interest maturing on such date shall be made in the usual manner and payment of any coupon shall be made only upon presentation of such coupon, and the Trustee shall apply the moneys received by it for the payment of the accrued interest on the Debentures called for redemption to the payment of such coupons. Any moneys which shall have been deposited with the Trustee for the redemption of Debentures that shall be converted shall be repaid to the Company upon delivery to the Trustee of evidence satisfactory to it of such conversion.

Upon presentation of any Debenture which is redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder thereof, at the expense of the Company, a new Debenture or

Debentures in principal amount equal to the unredeemed portion of the Debenture so presented, or, at the option of the holder of a registered Debenture without coupons, the Trustee or any paying agent shall make a notation on the Debenture so presented of the payment, as of the redemption date, of the redeemed portion of the principal thereof.

## ARTICLE SIX.

## Sinking Fund.

SECTION 6.01. *Dates and Amounts of Mandatory Sinking Fund Payments.* As and for a mandatory sinking fund for the retirement of Debentures, the Company covenants and agrees that it will pay to the Trustee not less than three business days before January 1, 1968, and not less than three business days before each January 1 thereafter to and including January 1, 1979, the sum of $1,750,000, plus accrued interest on Debentures to be redeemed through the sinking fund. The last date on which such payment may be made in each year is hereinafter referred to as the "due date of the sinking fund payment".

SECTION 6.02. *Dates and Amounts of Optional Sinking Fund Payments.* The Company at its option may make an additional payment (provided that at the time notice of such additional payment is given to the Trustee in the manner hereinafter specified, the Company is not in default in the payment of any Senior Indebtedness, and that at such time the making of such additional payment would not result in a default in any covenant contained in any indenture or other instrument pursuant to which Senior Indebtedness is outstanding) to the Trustee, on or before the due date of the sinking fund payment in each year, of an amount in cash which is not in excess of the mandatory sinking fund payment. The option to make any such optional sinking fund payment shall not be cumulative and to the extent not exercised shall terminate. No such optional sinking fund payment shall have the effect of reducing the amount of any mandatory sinking fund payment which the

Company shall be obligated to make under Section 6.01. If the Company intends to exercise its right to make any such optional sinking fund payment in any year it shall deliver to the Trustee on or before the November 15 next preceding the due date of the sinking fund payment in such year a written notice thereof signed on behalf of the Company by the treasurer or an assistant treasurer of the Company stating that the Company intends to exercise such optional right and specifying the additional amount which the Company intends to pay on such due date. Thereupon the amount which the Company is obligated to pay on such due date under Section 6.01 shall be increased by the amount specified in such notice. In case of the failure of the Company to give such notice with respect to the due date of any sinking fund payment, the Company shall not be permitted to make any optional sinking fund payment on such date.

SECTION 6.03. *Money Deposited with Trustee in Respect of Converted Debentures.* Any money which shall have been deposited with the Trustee for the redemption of Debentures that shall be converted and which is not required for the redemption of such Debentures shall be repaid to the Company upon delivery to the Trustee of evidence satisfactory to it of such conversion.

SECTION 6.04. *Right to Satisfy Sinking Fund Payments with Debentures; Credit for Redemptions and Conversions.* At its option, the Company, in lieu of making all or any part of any mandatory sinking fund payment in cash, may (a) deliver to the Trustee, on or before the November 15 next preceding the due date of said sinking fund payment, Debentures previously authenticated and delivered by the Trustee with all unmatured coupons attached which have been acquired by the Company, (b) receive a credit in respect of Debentures which have theretofore been called for redemption pursuant to Section 5.01(a), are no longer outstanding hereunder and have not been previously applied as a credit against any such sinking fund payment, (c) receive a credit in respect of Debentures (other than Debentures converted after being called for redemption through operation of the sinking fund) previously converted and cancelled by the Trustee and not theretofore applied as a credit against any such sinking fund payment, or (d) deliver Debentures and receive credits pursuant to any combination of (a), (b) and (c), above. Whenever the Company credits converted or redeemed Debentures against a mandatory sinking fund payment pursuant to (b), (c) or (d), above, it shall deliver to the Trustee an Officers' Certificate stating the election of the Company to have a specified principal amount of converted or redeemed Debentures so credited and that such Debentures are no longer outstanding hereunder and setting forth (i) the aggregate principal amount of all Debentures theretofore converted (other than Debentures converted after being called for redemption through operation of the sinking fund) or redeemed, as the case may be, and (ii) the aggregate principal amount of such converted or redeemed Debentures, as the case may be, theretofore credited against mandatory sinking fund payments. The Company shall be entitled so to deliver or credit Debentures in anticipation of all or any part of any one or more mandatory sinking fund payments but in each case the Company shall specify the sinking fund payment or payments in anticipation of which Debentures are so delivered or credited. Each Debenture so delivered or credited shall be received or credited by the Trustee at the principal amount thereof, and the cash amount of the sinking fund payment in anticipation of which the Company specifies that such Debenture is delivered or credited shall be reduced by such amount.

SECTION 6.05. *Redemption of Debentures for the Sinking Fund.* On or before the November 15 next preceding the due date of each mandatory sinking fund payment the Company shall deliver to the Trustee a notice signed by the treasurer or an assistant treasurer of the Company specifying the amount of such sinking fund payment which will be paid by Debentures previously delivered or to be delivered by the Company to the Trustee or by converted or redeemed Debentures to be credited against such sinking fund payment (with the numbers of the Debentures so to be delivered or credited) and the amount of cash which will be required to be paid by the Company to the Trustee on account of such sinking fund payment on such due date. If any sinking fund payment to be made in cash in any year, plus any unused balance of any preceding sinking fund payment or payments made in cash, exclusive of accrued interest, shall amount to $25,000 or more (or a lesser sum if the Company shall so request), the Trustee shall select by lot in the manner provided in Section 5.02 such an aggregate principal amount of outstanding Debentures as will exhaust such moneys, as nearly as may be, at 100% of the principal amount thereof plus accrued interest and the Trustee shall cause notice of redemption of such Debentures on the next succeeding January 1 to be given in the name of the Company, and in the manner provided in Section 5.02 for the redemption of Debentures in part at the option of the Company, except that the notice of redemption shall state that such redemption will be subject to the deposit of the sinking fund payment with the Trustee before the date fixed for redemption, and on and after such January 1 the Trustee shall apply or cause to be applied such sinking fund moneys in the manner provided in Section 5.03 to the redemption of the Debentures so selected. In the event that said notice shall include the numbers of Debentures converted at any time within the ten business days immediately preceding the giving of such notice, such Debentures shall be considered outstanding for the purpose of such notice and the call for redemption of such Debentures under the sinking fund shall be deemed compliance with the provisions of this Article Six.

Any sinking fund moneys not so applied by the Trustee to the redemption of Debentures or repaid to the Company in accordance with Section 6.03 shall be added to the next cash sinking fund payment received by the Trustee, and together with such payment shall be applied in accordance with the provisions of this Section 6.05.

SECTION 6.06. *Redemption Suspended During Default.* The Trustee shall not redeem any Debentures with sinking fund moneys or commence the publication of or mail any notice of redemption of Debentures by operation of the sinking fund during the continuance of a default in payment of interest on the Debentures or of any Event of Default known to the Trustee, except that where the first publication of notice of redemption of any Debentures shall theretofore have been made, the Trustee shall continue such publication and shall redeem such Debentures. Except as aforesaid, any moneys in the sinking fund at the time when any such default or Event of Default shall occur, and any moneys thereafter paid into the sinking fund, shall during the continuance of such default or Event of Default be held as security for the payment of all the Debentures; *provided*, that in case such Event of Default shall have been waived as provided in Section 9.09 or the default cured on or before the 20th day of November in any year, such moneys shall thereafter be applied on the next succeeding January 1, in accordance with the provisions of this Article Six, to the redemption of Debentures.

## ARTICLE SEVEN.

## Particular Covenants of the Company.

The Company covenants and agrees as follows:

SECTION 7.01. *Payment of Principal of, Premium, if any, and Interest on Debentures.* The Company will duly and punctually pay or cause to be paid the principal of and premium, if any, and interest on the Debentures at the times and places, and in the manner provided in the Debentures and in the coupons. The interest on the coupon Debentures becoming payable on or prior to the maturity of the Debentures shall be payable only upon presentation and surrender of the several coupons for such interest instalments as they severally mature. The interest on registered Debentures without coupons shall be payable only to or upon the written order of the registered holders thereof.

SECTION 7.02. *Prohibition of Extension of Time for Payment of Coupons.* In order to prevent any accumulation of coupons or claims for interest after maturity thereof, the Company will not directly or indirectly extend or consent to the extension of the time for the payment of any coupon appertaining to or claim for interest on any of the Debentures and will not directly or indirectly be a party to or approve any such extension by the purchase or funding of said coupons or claims for interest or in any other manner. No coupon or claim for interest, the time of payment of which shall have been so extended or which shall have been so purchased or funded, shall be entitled in case of an Event of Default hereunder to the benefits of this Indenture except after the prior payment in full of the principal of all the Debentures and of all coupons and claims for interest not so extended, purchased or funded; *provided, however,* that this Section 7.02 shall not apply in any case where an extension shall be pursuant to a plan proposed by the Company and consented to or approved by the holders of all the Debentures then outstanding.

SECTION 7.03. *Maintenance of Office or Agency for Registration, Transfer, Exchange, Conversion and Payment of Debentures.* The Company will maintain an office or agency in the Borough of Manhattan, The City of New York, New York, where the Debentures may be presented for registration, transfer, exchange and conversion as in this Indenture provided, and where the Debentures and coupons may be presented for payment. Such office or agency in the Borough of Manhattan, The City of New York, New York, for all such purposes shall be the Principal Office of The Chase Manhattan Bank, unless the Company shall maintain some other office or agency for such purpose and give the Trustee written notice of the location thereof.

SECTION 7.04. *Appointment to Fill a Vacancy in Office of Trustee.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 10.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 7.05. *Paying Agents.* (a) Whenever the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 7.05,

(1) that it will hold all sums received by it as such agent for the payment of the principal of and premium, if any, or interest on the

Debentures (whether such sums have been paid to it by the Company or by any other obligor on the Debentures) in trust for the benefit of the holders of the Debentures, or of the coupons, or of the Trustee as the case may be, and will notify the Trustee of the receipt of sums to be so held, and

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Debentures) to make any payment of the principal of and premium, if any, or interest on the Debentures when the same shall be due and payable.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of and premium, if any, or interest on the Debentures, set aside, segregate and hold in trust for the benefit of the holders of the Debentures or of the coupons, as the case may be, a sum sufficient to pay such principal and premium, if any, or interest so becoming due. The Company will promptly notify the Trustee of any failure to take such action.

(c) Anything in this Section 7.05 to the contrary notwithstanding, the Company may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any paying agent hereunder, as required by this Section 7.05, such sums to be held by the Trustee upon the trusts herein contained.

(d) Anything in this Section 7.05 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 15.03 and 15.04.

SECTION 7.06. *Covenants to Preserve Corporate Existence, Pay Taxes and Maintain Properties.* The Company will and will cause every Subsidiary to (a) diligently preserve its corporate existence (except that the Company or any Subsidiary may acquire by purchase, consolidation, merger, dissolution or otherwise all or any part of the assets of any Subsidiary and except as otherwise permitted by this Indenture) and all of the other corporate franchises and rights to it granted or upon it conferred in so far as in the opinion of the Board of Directors of the Company such franchises and rights continue to be advantageous to the Company or to such Subsidiary, (b) promptly pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges lawfully levied or imposed upon it, its property, or any part thereof, or upon its income or profits, or any part thereof, or upon the interest of the Trustee hereunder, or money in possession of the Trustee pursuant to the provisions hereof, and pay and discharge within four months of the accrual thereof all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a lien or charge upon its property; *provided, however,* that it shall have the right in good faith to contest any such tax, assessment, charge or claim and, pending such contest, to delay or refuse payment thereof, (c) duly observe and conform to all lawful requirements of any governmental authority relative to any of its property and all covenants, terms and conditions upon or under which any of its property is held, and (d) in so far as in the opinion of the Board of Directors of the Company it shall be advantageous, maintain and keep its plants and other properties and every part and parcel thereof in good condition, repair and working order and supply and keep supplied the same with all necessary equipment and make all necessary repairs, renewals and replacements and actively conduct and carry on its usual business; except, in every case, as and to the extent that the Company may be prevented from so doing by circumstances beyond its control.

The provisions of this Section 7.06 shall not be deemed to prevent such sales or other disposition of stocks of Subsidiaries as may be permitted by the provisions of Section 7.10.

SECTION 7.07. *Covenant to Insure.* The Company will insure and keep insured, and will cause every Subsidiary to insure and keep insured, to a reasonable amount with reputable insurance companies to the extent such insurance is reasonably available, so much of their respective properties as is of a character customarily insured by companies engaged in a similar business and to the extent such companies usually insure such properties against loss by fire and from other causes customarily insured against by such companies, except to the extent that the United States Government or any department or agency thereof has assumed the risk of any such loss to said properties, or, in lieu thereof, in the case of itself or of any one or more of its Subsidiaries the Company will maintain or cause to be maintained a system or systems of self-insurance which will accord with the approved practices of companies owning or operating properties of a similar character and maintaining such systems, and, in such cases of self-insurance, will cause to be maintained an insurance reserve or insurance reserves adequate for itself and such Subsidiaries.

Section 7.08. *Limitation on Creation, Guarantee or Assumption of Funded Indebtedness.* The Company will not create, guarantee or assume, or permit any Subsidiary to create, guarantee or assume, any Funded Indebtedness (other than the Debentures) unless immediately thereafter and after giving effect to the existence of such Funded Indebtedness, to the receipt of the net proceeds thereof and to the retirement of any indebtedness which is concurrently being retired out of the proceeds of such Funded Indebtedness, its Consolidated Net Tangible Assets shall be at least equal to 225% of Consolidated Funded Indebtedness; *provided, however,* that this covenant shall not apply to Funded Indebtedness created, guaranteed or assumed for the purpose of extending, renewing or refunding an equal aggregate principal amount of Funded Indebtedness (including the Debentures), whether outstanding at the date hereof or hereafter created, and successive extensions, renewals or refunding thereof.

Section 7.09. *Limitations on Issue of Stock of Subsidiaries.* The Company will not permit any Subsidiary (a) to issue any preferred stock of any class except to the Company or to a Subsidiary, or (b) to issue any additional shares of its common stock (other than directors' qualifying shares) unless

(i) if the aggregate amount of the investment of the Company and its other Subsidiaries in such Subsidiary immediately prior to the issuance of such additional shares does not exceed 10% of Consolidated Net Tangible Assets, then, after giving effect to the issuance of such additional shares, such Subsidiary shall remain a Subsidiary, or

(ii) if such investment shall exceed 10% of Consolidated Net Tangible Assets, then the Company or one or more of its Subsidiaries shall acquire a proportion of such additional shares at least equal to the proportion of the outstanding shares of common stock of such Subsidiary owned by the Company and its other Subsidiaries immediately prior to such issuance.

SECTION 7.10. *Limitations on Dispositions of Stock or Debt of Subsidiaries.* The Company will not sell, transfer or otherwise dispose of, and will not permit any Subsidiary to sell, transfer or otherwise dispose of, except to the Company or a Subsidiary, any shares of stock of any Subsidiary or any indebtedness of any Subsidiary, or any claims against any Subsidiary whether or not due, unless (a) simultaneously therewith all the shares of stock and indebtedness of and claims against such Subsidiary at the time owned by or owed to the Company and every other Subsidiary shall be sold, transferred or disposed of as an entirety for cash, obligations (whether created, assumed or guaranteed) or property equal to the fair value (as determined by the Board of Directors) at the time of sale, transfer or disposition of the shares of stock, indebtedness and claims so sold, transferred or disposed of, and unless (b) such Subsidiary so being disposed of shall first have transferred to the Company or to one or more other Subsidiaries all shares of stock of every other Subsidiary not being simultaneously disposed of and all indebtedness of and claims against the Company and every other Subsidiary not being simultaneously disposed of, then owned by such Subsidiary; *provided, however,* that this covenant shall not be deemed to prevent the Company or any Subsidiary from collecting for its own use any such indebtedness or claims or from releasing the same to the Subsidiary owing the same, or from altering, renewing, extending or refunding the same.

SECTION 7.11. *Limitations on Subsidiary Sales and Mergers.* Except as permitted by Sections 7.13 and 14.01, the Company will not permit any

Subsidiary to sell or otherwise dispose of (except to the Company or to another Subsidiary) all or substantially all of its properties, assets, rights and franchises, or consolidate with or merge into any corporation (other than the Company or another Subsidiary), unless the corporation formed by or resulting from any such consolidation or merger, or to which such assets shall have been sold or otherwise disposed of shall simultaneously become a Subsidiary or unless (1) the consideration received as a result of any such sale, disposition, consolidation or merger shall consist of cash, obligations (whether created, assumed or guaranteed) or property equal to the fair value (as determined by the Board of Directors) of the assets so sold or disposed of, or owned by the Subsidiary so consolidated or merged, and (2) such Subsidiary shall first have transferred, either to the Company or to one or more other Subsidiaries, all shares of stock of every other Subsidiary not being simultaneously disposed of and all indebtedness of and claims against the Company and every other Subsidiary not being simultaneously disposed of then owned by such Subsidiary.

SECTION 7.12. *Limitation on Dividends, Distributions, and Certain Acquisitions.* The Company will not, except as provided below in this Section 7.12,

(a) declare or pay any dividend on or make any distribution in respect of its shares of stock of any class, or

(b) purchase, redeem, or otherwise acquire or retire for a consideration, or permit any Subsidiary to purchase, redeem, or otherwise acquire or retire for a consideration, any shares of stock of any class of the Company

if, in each case, upon giving effect to such dividend, distribution, purchase, redemption, acquisition or retirement, the aggregate of all such dividends, distributions, purchases, redemptions, acquisitions and retirements subsequent to December 31, 1957 would exceed the aggregate of:

(i) Consolidated Net Earnings subsequent to December 31, 1957; plus

(ii) $10,000,000; plus

(iii) any net consideration received by the Company subsequent to December 31, 1957 with respect to the issue of any of its stock of any class (or indebtedness which has been converted into stock of any class of the Company) not applied to the substantially concurrent retirement of other shares of its stock of any class which net consideration, in so far as it may consist of property other than cash, shall be taken at the fair value thereof as determined by the Board of Directors at the time of its receipt; plus

(iv) the market value of any shares of its stock of any class reacquired by the Company and distributed subsequent to December 31, 1957 pursuant to the Company's Incentive Compensation Plan for Officers and Employees as in effect on the date of this Indenture or as hereafter amended, such market value to be the market value at the close of business on the distribution date determined as provided in said Plan; plus

(v) any consideration received by the Company subsequent to May 6, 1958 upon the sale of any of its stock of any class reacquired by the Company and sold upon the exercise of an option granted under the Company's Stock Option Plan as in effect on the date of this Indenture or as hereafter amended;

*provided, however,* that the foregoing provisions of this Section 7.12 shall not prevent:

(A) the declaration or payment of dividends on, or the making of payments or purchases in compliance with any required sinking or purchase fund in respect of, any shares of any issue or series of preferred stock of the Company at any time issued for cash or in exchange for other shares of preferred stock of the Company which have previously been issued for cash, if the maximum amount required to be paid or applied, for or with respect to any one year, as dividends on and in compliance with any required sinking or purchase fund in respect of such issue or series of preferred stock does not exceed 9% of the aggregate par value thereof, or, if such preferred stock be shares without par value, does not exceed 9% of the aggregate preference thereof upon involuntary liquidation, or

(B) the payment of any dividend within 60 days after the date of declaration thereof, if at said date said declaration was permitted by the provisions of this Section 7.12, or

(C) the making of any optional redemption or retirement, whether through a sinking fund or otherwise, of any preferred stock within 90 days after the date that notice thereof is first given to the holders of the preferred stock to be redeemed or retired, if at said date such redemption or retirement was permitted by the provisions of this Section 7.12.

There shall be excepted from the provisions of this Section 7.12:

(1) dividends and distributions on shares of stock of any class of the Company payable in shares of stock of any class of the Company; and

(2) retirements of shares of stock of any class of the Company by exchange for, or out of the proceeds of the substantially concurrent sale of, shares of stock of any class of the Company.

SECTION 7.13. *Miscellaneous Investments.* Notwithstanding any other provision of this Indenture, the Company or any Subsidiary may create one or more Subsidiaries and may sell or otherwise dispose of any securities, owned directly or indirectly by the Company or any Subsidiary, of any corporation which is not itself a Subsidiary.

SECTION 7.14. *Further Assurance.* From time to time whenever demanded by the Trustee the Company will make, execute and deliver or cause to be made, executed and delivered any and all such further and other instruments and assurances as may be reasonably necessary or proper to carry out the intention of or to facilitate the performance of the terms of this Indenture.

SECTION 7.15. *Certificate to Trustee.* On or before April 15, 1959, and on or before April 15 in each year thereafter, the Company will cause to be filed with the Trustee an Officers' Certificate regarding the performance or fulfillment during the period since the date hereof or the date of the last such Officers' Certificate, as the case may be, of each covenant, agreement and condition contained in this Article Seven and stating whether or not the signers have obtained knowledge of any default, and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

## ARTICLE EIGHT.

## Debentureholders' Lists and Reports by the Company and the Trustee.

SECTION 8.01. *Company to Furnish Trustee Information as to Names and Addresses of Debentureholders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee during the periods March 15 to March 31, inclusive, and September 15 to September 30, inclusive, in each year beginning with March 1959, and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list in such form as the Trustee may reasonably require containing all the information in the possession or control of the Company, or any of its paying agents other than the Trustee, as to the names and addresses of the holders of Debentures obtained since the date as of which the next previous list, if any, was furnished. Any such list may be dated as of a date not more than 15 days prior to the time such information is furnished or caused to be furnished and need not include information received after such date.

SECTION 8.02. *Preservation of Information; Communications to Debentureholders.* (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debentures (1) contained in the most recent list furnished to it as provided in Section 8.01, (2) received by it in the capacity of paying agent (if so acting) hereunder, and (3) filed with it within two preceding years pursuant to the provisions of Section 8.04(c)(2).

The Trustee may (1) destroy any list furnished to it as provided in Section 8.01 upon receipt of a new list so furnished, (2) destroy any information received by it as paying agent (if so acting) hereunder upon delivering to itself as Trustee, not earlier than 45 days after an interest payment date of the Debentures, a list containing the names and addresses of the holders of Debentures obtained from such information since the delivery of the next previous list, if any, (3) destroy any list delivered to itself as Trustee which was compiled from information received by it as paying agent (if so acting) hereunder upon the receipt of a new list so delivered, and (4) destroy any information filed with it pursuant to the provisions of Section 8.04(c)(2) but not until two years after such information has been filed with it.

(b) In case three or more holders of Debentures (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Debenture for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Debentures with respect to their rights under this Indenture or under the Debentures and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of Section 8.02(a), or

(2) inform such applicants as to the approximate number of holders of Debentures whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of Section 8.02(a), and as to the approximate cost of mailing to such Debentureholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Debentureholder whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of Section 8.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Securities and Exchange Commission (herein called the "Commission"), together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Debentures or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met, and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Debentureholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of the Debentures and coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debentures in accordance with the provisions of Section 8.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said Section 8.02(b).

SECTION 8.03. *Reports by the Company.* The Company covenants:

(a) to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, or, if the Company is not required to file information, documents, or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents, and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations; and

(c) to transmit to the holders of Debentures, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 8.04(c) with respect to reports pursuant to Section 8.04(a), such summaries of any information, documents, and reports required to be filed by the Company pursuant to Section 8.03(a) and (b) as may be required by rules and regulations prescribed from time to time by the Commission.

SECTION 8.04. *Reports by the Trustee.* (a) On or before June 1, 1959, and on or before June 1 in every year thereafter, so long as any Debentures are outstanding hereunder, the Trustee shall transmit to the Debentureholders, as hereinafter in this Section 8.04 provided, a brief report dated as of the preceding April 1 with respect to:

> (1) its eligibility under Section 10.09 and its qualifications under Section 10.08, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;
>
> (2) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof)

made by the Trustee (as such) which remain unpaid on the date of such report and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Debentures, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than ½ of 1% of the principal amount of the Debentures outstanding on the date of such report;

(3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Debentures) to the Trustee in its individual capacity on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 10.13(b), (2), (3), (4), or (6);

(4) the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(5) any additional issue of Debentures which the Trustee has not previously reported; and

(6) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Debentures, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 9.10.

(b) The Trustee shall transmit to the Debentureholders, as provided in Section 8.04(c), a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to the provisions of Section 8.04(a) (or if no such report has yet been so transmitted, since the date of this Indenture), for the reimbursement of which it claims or may claim a lien or charge prior to that of the Debentures on property or funds held or collected by it as Trustee and which it has not previously reported pursuant to this Section 8.04(b), except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of Debentures outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section 8.04 shall be transmitted by mail:

(1) to all registered holders of Debentures, as the names and addresses of such holders appear upon the registration books of the Company;

(2) to such holders of Debentures as have, within two years preceding such transmission, filed their names and addresses with the Trustee for that purpose; and

(3) except in the case of reports pursuant to Section 8.04(b), to each Debentureholder whose name and address are preserved at the time by the Trustee, as provided in Section 8.02(a).

(d) A copy of each such report shall, at the time of such transmission to Debentureholders, be furnished to the Company and be filed by the Trustee with each stock exchange upon which the Debentures are listed and also with the Commission. The Company agrees to notify the Trustee when and as the Debentures become listed on any stock exchange.

## ARTICLE NINE.

### Remedies of the Trustee and Debentureholders on Event of Default.

SECTION 9.01. *Events of Default Defined; Acceleration of Maturity; Waiver of Default.* In case one or more of the following Events of Default shall have occurred and be continuing, that is to say:

(a) default in the payment of any instalment of interest upon any of the Debentures as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of the principal of or premium, if any, on any of the Debentures as and when the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) default in the making of any sinking fund payment as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(d) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Debentures or in this Indenture contained and written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Debentures at the time outstanding, and such failure shall have continued unremedied for a period of 90 days after the date of the Company's receipt of such notice; or

(e) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company under the National Bankruptcy Act or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(f) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under the National Bankruptcy Act or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes;

then, and in each and every such case, unless the principal of all the Debentures shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debentures then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Debentureholders), may declare the principal of all the Debentures and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Debentures contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Debentures shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured instalments of interest upon all the Debentures and the principal of and premium, if any, on any and all Debentures which shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue instalments of interest, at the same rate as the rate of interest specified in the Debentures, to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith, and if any and all defaults under the Indenture, other than the non-payment of the principal of Debentures which shall have become due by acceleration, shall have been remedied—then and in every such case the holders of a majority in aggregate principal amount of the Debentures then outstanding, by written notice to the Company and to the Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

SECTION 9.02. *Collection of Indebtedness by Trustee; Trustee May Prove Debt.* The Company covenants that (a) in case default shall be made in the payment of any instalment of interest on any of the Debentures when such interest shall have become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of the principal of or premium, if any, on any of the Debentures when the same shall have become due and payable, whether upon maturity or upon redemption or by declaration or otherwise—then upon demand of the Trustee the Company will pay to the Trustee for the benefit of the holders of the Debentures and coupons the whole amount that then shall have become due and payable on all such Debentures and coupons for principal and premium, if any, or interest, as the case may be (with interest upon the overdue principal and premium, if any, and to the extent that payment of such interest is enforceable under applicable law, on overdue instalments of interest at the same rate as the rate of interest specified in the Debentures to the date of such payment); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Trustee, the Company may pay the principal of, premium, if any, and interest on the Debentures to the bearers or registered holders, as the case may be, whether or not the Debentures be overdue.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Debentures and collect in the manner provided by law out of the property of the Company or other obligor upon the Debentures wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor upon the Debentures under the National Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in case of any other judicial proceedings relative to the Company or other obligor upon the Debentures, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 9.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Debentures, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Debentureholders allowed in any judicial proceedings relative to the Company or other obligor upon the Debentures, or to the creditors or property of the Company or such other obligor, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Debentureholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Debentureholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Debentureholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Debentures or coupons, may be enforced by the Trustee without the possession of any of the Debentures or coupons or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, its agents and attorneys, shall be for the ratable benefit of the holders of the Debentures and coupons.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceedings.

SECTION 9.03. *Application of Proceeds.* Subject to the provisions of Article Three, any moneys collected by the Trustee pursuant to Section 9.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or premium, if any, or interest, upon presentation of the several Debentures and coupons and stamping thereon the payment, if only partially paid, or upon surrender thereof, if fully paid:

> FIRST: To the payment of costs and expenses, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith;
>
> SECOND: In case the principal of the Debentures shall not have become and be then due and payable, to the payment of interest in default in the order of the maturity of the instalments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue instalments of interest at the same rate as the rate of interest specified in the Debentures, such payments to be made ratably to the persons entitled thereto, without discrimination or preference, except as provided in Section 7.02;

Third: In case the principal of the Debentures shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Debentures for principal and premium, if any, and interest, with interest upon the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue instalments of interest at the same rate as the rate of interest specified in the Debentures; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Debentures, then to the payment of such principal and premium, if any, and interest, without preference or priority of principal and premium, if any, over interest, or of interest over principal and premium, if any, or of any instalment of interest over any other instalment of interest, or of any Debenture over any other Debenture, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid interest, except as provided in Section 7.02.

Section 9.04. *Suits for Enforcement.* In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 9.05. *Restoration of Rights on Abandonment of Proceedings.* In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Debentureholders shall continue as though no such proceedings had been taken.

Section 9.06. *Limitations on Suits by Debentureholders.* No holder of any Debenture or coupon shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceedings at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the holders of not less than 25% in aggregate principal amount of the Debentures then outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 9.09; it being understood and intended, and being expressly covenanted by the taker and holder of every Debenture with every other taker and holder and the Trustee, that no one or more holders of Debentures or coupons shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Debentures or coupons, or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debentures and coupons. For the protection and enforcement of the provisions of this Section 9.06, each and every Debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 9.07. *Unconditional Right of Debentureholders to Sue for Principal, Premium, if Any, and Interest.* Notwithstanding any other provision in this Indenture, the right of any holder of any Debenture to receive payment of the principal of, and premium, if any, and interest on such Debenture on or after the respective due dates expressed in such Debenture or any coupons appertaining thereto, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder.

SECTION 9.08. *Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.* All powers and remedies given by this Article Nine to the Trustee or to the Debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Debentureholders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture.

No delay or omission of the Trustee or of any holder of any of the Debentures or coupons to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to the provisions of Section 9.06, every power and remedy given by this Article Nine or by law to the Trustee or to the Debentureholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Debentureholders.

SECTION 9.09. *Control by Debentureholders; Waiver of Default.* The holders of a majority in aggregate principal amount of the Debentures at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee by this Indenture; *provided, however,* that, subject to the provisions of Section 10.01, the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action so directed may not lawfully be taken, or if the Trustee in good faith shall by a responsible officer or responsible officers determine that the action so directed would be unjustly prejudicial to the holders of the Debentures not taking part in such direction. Prior to the declaration of the maturity of the Debentures as provided in Section 9.01, the holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the holders of all of the Debentures waive any past default hereunder and its consequences, except a default in the payment of principal of or premium, if any, or interest on any of the Debentures. In the case of any such waiver, the Company, the Trustee and the holders of the Debentures shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 9.10. *Trustee to Give Notice of Default, But May Withhold Under Certain Circumstances.* The Trustee shall give to the Debentureholders, in the manner and to the extent provided in Section 8.04(c) with respect to reports pursuant to Section 8.04(a), notice of each default hereunder known to the Trustee within 90 days after the occurrence thereof, unless such default shall have been remedied or cured before the giving of such notice; *provided* that except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Debentures or in the making of any sinking fund payment, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Debentureholders.

The term "default", as used in this Section 9.10, shall mean the happening of any of the Events of Default specified in Section 9.01, except that, for the purposes of this Section 9.10 only, there shall be eliminated from the specification of any such Event of Default any reference therein to the continuance of any default or of any failure upon the part of the Company to act, or the continuance in force of any decree or order, for any period of days therein specified.

SECTION 9.11. *Right of Court to Require Filing of Undertaking to Pay Costs.* All parties to this Indenture agree, and each holder of any Debenture by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 9.11 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Debentureholder or group of Debentureholders holding more than 10% in aggregate principal amount of the Debentures outstanding, or to any suit instituted by any Debentureholder for the enforcement of the payment of the principal of or premium, if any, or interest on any Debenture on or after the due date expressed in such Debenture.

SECTION 9.12. *Enforcement of Conversion Privilege by Debentureholders.* Anything in this Indenture to the contrary notwithstanding, the holder of any Debenture without reference to or the consent of either the Trustee or the holder of any other Debenture, in his own behalf and for his own benefit, may enforce, and may institute and maintain any proceedings suitable to enforce, his privilege to convert his Debenture into Capital Stock as provided in Article Four.

## ARTICLE TEN.

### Concerning the Trustee.

SECTION 10.01. *Duties and Responsibility of the Trustee; During Default; Prior to Default.* The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(a) prior to the occurrence of an Event of Default and after the curing of all such Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or responsible officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Debentures at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

SECTION 10.02. *Certain Rights of the Trustee.* Except as otherwise provided in Section 10.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company by the president or any vice president and the secretary or an assistant secretary or the treasurer or an assistant treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Company;

(c) the Trustee may consult with counsel and any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with such Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Debentureholders, pursuant to the provisions of this Indenture, unless such Debentureholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby; and

(e) the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture.

SECTION 10.03. *Trustee Not Responsible for Disposition of Debentures or Application of Proceeds Thereof.* The recitals contained herein and in the Debentures, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures or coupons. The Trustee shall not be accountable for the use or application by the Company of any of the Debentures or of the proceeds thereof.

SECTION 10.04. *Trustee May Hold Debentures.* The Trustee or any paying agent or Debenture registrar, in its individual or any other capacity, may become the owner or pledgee of Debentures or coupons with the same rights it would have if it were not Trustee, paying agent or Debenture registrar.

SECTION 10.05. *Moneys Held by Trustee.* Subject to the provisions of Article Three and Section 15.04 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Company to pay thereon. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time upon the written order of the Company, signed by its president or any vice president or its treasurer or an assistant treasurer.

SECTION 10.06. *Compensation of Trustee and Its Lien.* The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation and, except as otherwise expressly provided, the Company covenants and agrees to pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Company under this Section 10.06 to compensate the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debentures or coupons.

SECTION 10.07. *Right of Trustee to Rely on Certificate of Certain Officers.* Except as otherwise provided in Section 10.01, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate signed by the president or any vice president and by the treasurer or an assistant treasurer or by the secretary or an assistant secretary of the Company and delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 10.08. *Qualification of Trustee; Conflicting Interests.* (a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section 10.08, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in Section 10.10.

(b) In the event that the Trustee shall fail to comply with the provisions of Section 10.08(a), the Trustee shall, within ten days after the expiration of such 90 day period, transmit notice of such failure to the Debentureholders in the manner and to the extent provided in Section 8.04(c) with respect to reports pursuant to Section 8.04(a).

(c) For the purposes of this Section 10.08 the Trustee shall be deemed to have a conflicting interest if

(1) the Trustee is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Debentures issued under this Indenture, *provided* that there shall be excluded from the operation of this paragraph any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding if (i) this Indenture and such other indenture or indentures are wholly unsecured, and such other indenture or indentures are hereafter qualified under the Trust Indenture Act of 1939, unless the Securities and Exchange Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture and the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture or such other indenture or indentures, or (ii) the Company shall have sustained the burden of proving, on application to the said Commission and after opportunity for hearing thereon, that trusteeship under this Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under one of such indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Debentures or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee, or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting,

except that (i) one individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company, but may not be at the same time an executive officer of both the Trustee and the Company; (ii) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer, or both, of the Trustee and a director of the Company; and (iii) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depositary, or in any other similar capacity, or, subject to the provisions of Section 10.08(c)(1), to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner, or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner, or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, (i) 5% or more of the voting securities or 10% or more of any other class of security of the Company, not including the Debentures issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (ii) 10% or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, 10% or more of any class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company; or

(9) the Trustee owns on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or *inter vivos* trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under Section 10.08(c), (6), (7) or (8). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15 in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of principal of or interest on any of the Debentures when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of Section 10.08(c) (6), (7) and (8).

The specification of percentages in Section 10.08(c)(5) to (9), inclusive, shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of Section 10.08(c)(3) or (7).

For the purposes of Section 10.08(c)(6), (7), (8) and (9), only, (i) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (ii) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (iii) the Trustee shall not be deemed to be the owner or holder of (x) any security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default as defined in clause (ii) above, or (y) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (z) any security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

Except as provided above, the word "security" or "securities" as used in this Indenture shall mean any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

(d) For purposes of this Section 10.08:

(1) the term "underwriter" when used with reference to the Company shall mean every person who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission;

(2) the term "director" shall mean any director of a corporation or any individual performing similar functions with respect to any organization whether incorporated or unincorporated;

(3) the term "person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security;

(4) the term "voting security" shall mean any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person;

(5) the term "Company" shall mean any obligor upon the Debentures; and

(6) the term "executive officer" shall mean the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

(e) The percentages of voting securities and other securities specified in this Section 10.08 shall be calculated in accordance with the following provisions:

(A) a specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section 10.08 (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person;

(B) a specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding;

(C) the term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security;

(D) the term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(iv) securities held in escrow if placed in escrow by the issuer thereof

*provided, however,* that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof; and

(E) a security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges, *provided, however,* that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes and *provided, further,* that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

SECTION 10.09. *Persons Eligible for Appointment as Trustee.* The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States of America or the State of New York having its principal office and place of business in the Borough of Manhattan, The City of New York, New York, having a combined capital and surplus of at least $5,000,000, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 10.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 10.09, the Trustee shall resign immediately in the manner and with the effect specified in Section 10.10.

SECTION 10.10. *Resignation and Removal; Appointment of Successor Trustee.* (a) The Trustee may at any time resign by giving written notice of resignation to the Company and by publication of notice of resignation at least once in an Authorized Newspaper. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the publication of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, subject to the provisions of Section 9.11, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(1) the Trustee shall fail to comply with the provisions of Section 10.08(a) after written request therefor by the Company or by any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months; or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 10.09 and shall fail to resign after written request therefor by the Company or by any such Debentureholder; or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 9.11, any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Debentures at the time outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed, and to the Company, the evidence provided for in Section 11.01 of the action in that regard taken by the Debentureholders.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 10.10

shall become effective upon acceptance of appointment by the successor trustee as provided in Section 10.11.

Section 10.11. *Acceptance of Appointment by Successor Trustee.* Any successor trustee appointed as provided in Section 10.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 10.06.

No successor trustee shall accept appointment as provided in this Section 10.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 10.08 and eligible under the provisions of Section 10.09.

Upon acceptance of appointment by a successor trustee as provided in this Section 10.11, the Company shall publish notice of the succession of such trustee hereunder at least once in an Authorized Newspaper. If the Company fails to publish such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be published at the expense of the Company.

SECTION 10.12. *Merger or Consolidation of Trustee.* Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be qualified under the provisions of Section 10.08 and eligible under the provisions of Section 10.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 10.13. *Preferential Collection of Claims Against the Company.* (a) Subject to the provisions of Section 10.13(b), if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within four months prior to a default, as defined in Section 10.13(c), or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the holders of the Debentures and the holders of other indenture securities (as defined in Section 10.13(c)):

> (1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such four months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in Section 10.13(a)(2), or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and
>
> (2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities, or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the National Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in Section 10.13(c) would occur within four months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in such paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C), and (D) property substituted after the beginning of such four months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Debentureholders and the holders of other indenture securities in such manner that the Trustee, the Debentureholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the National Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, the Debentureholders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the National Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to the National Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceeding for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee, the Debentureholders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the Debentureholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this subparagraph (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four months' period, it shall be subject to the provisions of this subparagraph (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such four months' period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

(b) There shall be excluded from the operation of Section 10.13(a) a creditor relationship arising from

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the Debentureholders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in Section 10.13(c);

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in Section 10.13(c).

(c) As used in this Section 10.13:

(1) the term "default" shall mean any failure to make payment in full of the principal of or interest upon any of the Debentures or upon the other indenture securities when and as such principal or interest becomes due and payable;

(2) the term "other indenture securities" shall mean securities upon which the Company is an obligor (as defined in the Trust Indenture Act of 1939) outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of Section 10.13(a), and (iii) under which a default exists at the time of the apportionment of the funds and property held in said special account;

(3) the term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(4) the term "self liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security

is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation; and

(5) the term "Company" shall mean any obligor upon the Debentures.

## ARTICLE ELEVEN.

### Concerning the Debentureholders.

SECTION 11.01. *Evidence of Action Taken by Debentureholders.* Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Debentures may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Debentureholders in person or by agent or proxy appointed in writing, or (b) by the record of the holders of Debentures voting in favor thereof at any meeting of Debentureholders duly called and held in accordance with the provisions of Article Twelve, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Debentureholders.

SECTION 11.02. *Proof of Execution of Instruments and of Holding of Debentures.* Subject to the provisions of Sections 10.01 and 12.05, proof of the execution of any instrument by a Debentureholder or his agent or proxy and proof of the holding by any person of any of the Debentures shall be sufficient if made in the following manner:

(a) the fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction within the United States of America authorized to take acknowledgments of deeds to be recorded in such jurisdiction that the person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer and where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority;

(b) the fact of the holding by any Debentureholder of coupon Debentures transferable by delivery, and the principal amounts and serial numbers of such Debentures and the date of his holding the same, may be proved by the production of such Debentures or by a certificate executed by any trust company, bank or banker satisfactory to the Trustee wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a coupon Debenture of a specified principal amount and bearing a specified serial number was deposited with or exhibited to such trust company, bank or banker by the person named in such certificate. Any such certificate may be issued in respect of one or more Debentures specified therein. The holding by the person named in any such certificate of any Debenture specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date issued in respect of the same Debenture shall be produced, or (2) the Debenture specified in such certificate shall be produced by some other person, or (3) the Debenture specified in such certificate shall be registered as to principal, or (4) shall have ceased to be outstanding; and

(c) the ownership of coupon Debentures registered as to principal and of registered Debentures without coupons shall be proved by the registers of such Debentures or by a certificate of the registrar thereof.

The Trustee may require such additional proof of any matter referred to in this Section 11.02 as it shall deem necessary.

The record of any Debentureholders' meeting shall be proved in the manner provided in Section 12.06.

SECTION 11.03. *Bearer of Debentures Not Registered and Registered Holders of Debentures May Be Treated as Owners.* The Company, the

Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the bearer of any coupon Debenture which shall not at the time be registered as to principal, and the bearer of any coupon, whether the Debenture to which such coupon appertains shall be registered as to principal or not, as the absolute owner of such Debenture or coupon, as the case may be (whether or not such Debenture or coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or any Debenture registrar), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary. All such payments so made to any such bearer shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for the moneys payable upon any such Debenture or any such coupon.

The Company, the Trustee, any paying agent, any conversion agent and any Debenture registrar may deem and treat the person in whose name any registered Debenture without coupons shall be registered upon the books of the Company as the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or any Debenture registrar) for the purpose of receiving payment of or on account of the principal of (and premium, if any) and interest on such Debenture and for all other purposes, and may deem and treat the person in whose name any coupon Debenture shall be registered as to principal as the absolute owner thereof (whether or not such Debenture shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or any Debenture registrar) for the purpose of receiving payment thereof or on account thereof, and for all other purposes except to receive payment of any interest represented by coupons appertaining thereto; and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture registrar shall be affected by any notice to the contrary. All such payments so made to any such registered holder for the time being, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Debenture.

SECTION 11.04. *Debentures Owned by Company Deemed Not Outstanding.* In determining whether the holders of the requisite aggregate principal amount of Debentures have concurred in any direction, consent or waiver under this Indenture, Debentures which are owned by the Company or any other obligor on the Debentures or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Debentures shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Debentures which the Trustee knows are so owned shall be so disregarded.

SECTION 11.05. *Right of Revocation of Action Taken.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 11.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action, any holder of a Debenture the serial number of which is shown by the evidence to be included in the Debentures the holders of which have consented to such action may, by filing written notice at the Principal Office of the Trustee and upon proof of holding as provided in Section 11.02, revoke such action so far as concerns such Debenture. Except as aforesaid any such action taken by the holder of any Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of such Debenture and of any Debenture issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Debenture. Any action taken by the holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Debentures.

## ARTICLE TWELVE.

### Debentureholders' Meetings.

Section 12.01. *Purposes for Which Debentureholders' Meetings May Be Called.* A meeting of Debentureholders may be called at any time and from time to time pursuant to the provisions of this Article Twelve for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any default hereunder and its consequences, or to take any other action authorized to be taken by Debentureholders, pursuant to any of the provisions of Article Nine;

(b) to remove the Trustee and appoint a successor trustee pursuant to the provisions of Section 10.10;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 13.02; or

(d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Debentures under any other provision of this Indenture or under applicable law.

Section 12.02. *Call of Meetings by Trustee.* The Trustee may at any time call a meeting of Debentureholders to take any action specified in Section 12.01, to be held at such time and at such place in the Borough of Manhattan, The City of New York, New York, as the Trustee shall determine. Notice of every meeting of the Debentureholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be published at least four times in an Authorized Newspaper, the first publication to be not less than 20 nor more than 180 days prior to the date fixed for the meeting. It shall not be necessary for more than one such publication to be made in the same newspaper.

Section 12.03. *Company and Debentureholders May Call Meeting.* In case at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least 10% in aggregate principal amount of the Debentures then outstanding, shall have requested the Trustee to call a meeting of Debentureholders to take any action authorized in Section 12.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 20 days after receipt of such request, then the Company or the holders of the Debentures in the amount above specified may determine the time and the place in the Borough of Manhattan, The City of New York, New York, for such meeting and may call such meeting by publishing notice thereof as provided in Section 12.02.

Section 12.04. *Persons Entitled to Vote at Meeting.* To be entitled to vote at any meeting of Debentureholders a person shall (a) be a holder of one or more Debentures transferable by delivery; or (b) be a registered holder of one or more Debentures (whether the same be fully registered or registered only as to principal); or (c) be a person appointed by an instrument in writing as proxy by a holder of one or more Debentures transferable by delivery or by a registered holder of one or more Debentures (whether the same be fully registered or registered only as to principal). The only persons who shall be entitled to be present or to speak at any meeting of the Debentureholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 12.05. *Determination of Voting Rights; Conduct and Adjournment of Meeting.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Debentureholders in regard to proof of the holding of Debentures and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Debentures shall be proved in the manner specified in Section 11.02 and the appointment of any proxy shall be proved in the manner specified in said Section 11.02 or by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker or trust company authorized by said Section 11.02 to certify to the holding of Debentures transferable by delivery.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Debentureholders as provided in Section 12.03, in which case the Company or the Debentureholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Debentures represented at the meeting and entitled to vote.

Subject to the provisions of Section 11.04, at any meeting each Debentureholder or proxy shall be entitled to one vote for each $100 principal amount of Debentures held or represented by him, *provided, however,* that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote except as a Debentureholder or proxy. Any meeting of Debentureholders duly called pursuant to the provisions of Section 12.02 or 12.03 may be adjourned from time to time, and the meeting may be held as so adjourned without further notice. At any meeting of Debentureholders, the presence of persons holding or representing Debentures in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall constitute a quorum, but if less than a quorum be present, the persons holding or representing a majority in aggregate principal amount of the Debentures represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

SECTION 12.06. *Counting Vote and Recording Action of Meeting.* The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballots on which shall be subscribed the signatures of the Debentureholders or proxies and the serial number or numbers of the Debentures held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published as provided in Section 12.02. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 12.07. *Call of Meeting Not to Affect Rights of Trustee and Debentureholders.* Nothing in this Article Twelve contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Debentureholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Debentureholders under any of the provisions of this Indenture or of the Debentures.

## ARTICLE THIRTEEN.

### Supplemental Indentures.

SECTION 13.01. *Supplemental Indentures Without Consent of Debentureholders.* The Company, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of the execution thereof) for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Debentures any property or assets which the Company may desire or may be required, in accordance with any provision hereof, to convey, transfer, assign, mortgage or pledge;

(b) to make provision with respect to the conversion rights of holders of Debentures pursuant to the requirements of Section 4.05;

(c) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article Fourteen;

(d) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions as its Board of Directors and the Trustee shall consider to be for the protection of the holders of Debentures, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided, however,* that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the holders of a majority in aggregate principal amount of the Debentures to waive such an Event of Default; and

(e) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture; or to make such other provisions in regard to matters or questions arising under this Indenture or under any supplemental indenture as the Board of Directors of the Company may deem necessary or desirable and which shall not be inconsistent with the provisions of this Indenture or of any supplemental indenture and which shall not adversely affect the interests of the holders of the Debentures.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 13.01 may be executed without the consent of the holders of any of the Debentures at the time outstanding, notwithstanding any of the provisions of Section 13.02.

SECTION 13.02. *Supplemental Indentures With Consent of Debentureholders.* With the consent (evidenced as provided in Section 11.01) of the holders of not less than 66⅔% in aggregate principal amount of the Debentures at the time outstanding, the Company, when authorized by a resolution of its Board of Directors, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debentures and coupons; *provided, however,* that no such supplemental indenture shall (a) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable on the redemption thereof, or impair the right to convert the Debentures as set forth in Article Four, without the consent of the holder of each Debenture so affected, or (b) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

Upon the request of the Company, accompanied by a copy of a resolution of the Board of Directors certified by the secretary or an assistant secretary of the Company authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Debentureholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Debentureholders under this Section 13.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 13.02, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in an Authorized Newspaper. Any failure of the Company to publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 13.03. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article Thirteen or Section 14.01, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debentures and coupons shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 13.04. *Opinion of Counsel to Be Given to Trustee.* The Trustee, subject to the provisions of Section 10.01, may receive an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Thirteen.

SECTION 13.05. *Notation on Debentures in Respect of Supplemental Indentures.* Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article Thirteen or after any action taken at a Debentureholders' meeting pursuant to Article Twelve may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture or as to any action taken at any such meeting. If the Company or the Trustee shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Debentures then outstanding.

## ARTICLE FOURTEEN.

### Consolidation, Merger, Sale or Conveyance.

SECTION 14.01. *Company May Consolidate, Merge, Sell or Convey on Certain Terms.* Subject to the provisions of Section 4.05 and except as hereinafter in this Section 14.01 provided, nothing contained in this Indenture or in any of the Debentures shall prevent any consolidation or merger of the Company, or of the Company and any Subsidiary or Subsidiaries, with or into any other corporation or corporations, or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of the property of the Company, or of the Company and any Subsidiary or Subsidiaries, as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided, however,* that the Company hereby covenants and agrees, that upon any such consolidation, merger, sale or conveyance, the due and punctual payment of the principal of and premium, if any, and interest on all the Debentures, according to their tenor, and the due and punctual performance of all the covenants and conditions of this Indenture to be performed by the Company, shall be expressly assumed by supplemental indenture, satisfactory in form to the Trustee, executed and delivered to the Trustee by the corporation formed by such consolidation, or into which the Company shall have been merged, or which shall have acquired such property.

The Company covenants and agrees that if, upon any such consolidation or merger, or upon any such sale or conveyance, any of the properties or assets of the Company or of any Subsidiary would thereupon become subject to any mortgage, pledge, encumbrance or lien, the Company, prior to such consolidation, merger, sale or conveyance will by indenture supplemental hereto secure the due and punctual payment of the principal of, premium, if any, and interest on the Debentures (equally and ratably with any other indebtedness of the Company then entitled thereto) by a direct lien on all such properties and assets of the Company, or of the Company and any such Subsidiary, prior to all liens other than any theretofore existing thereon, subject to the priorities of payment of Senior Indebtedness as set forth in Article Three.

If at any time there be any consolidation or merger or sale or conveyance of property to which any covenant of this Section 14.01 is applicable, then in any such event the Company will promptly deliver to the Trustee

(1) an Officers' Certificate stating that the covenants of the Company contained in this Section have been complied with; and

(2) an Opinion of Counsel stating that in his opinion such covenants have been complied with and that any instrument or instruments executed by the Company in the performance of such covenants comply with the requirements thereof.

SECTION 14.02. *Successor Corporation Substituted.* In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of Boeing Airplane Company, any or all of the Debentures issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Debentures which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Debentures which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all such Debentures had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

SECTION 14.03. *Opinion of Counsel to Be Given to Trustee.* The Trustee, subject to the provisions of Section 10.01, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Article Fourteen.

## ARTICLE FIFTEEN.

### Satisfaction and Discharge of Indenture; Unclaimed Moneys.

SECTION 15.01. *Satisfaction and Discharge of Indenture.* If at any time (a) the Company shall pay or cause to be paid the principal of and premium, if any, and interest on all the Debentures outstanding hereunder, as and when the same shall become due and payable, or (b) the Company shall have delivered to the Trustee cancelled or for cancellation all Debentures theretofore authenticated and all coupons appertaining thereto (other than any Debentures and coupons which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.07), or (c) all such Debentures and coupons not theretofore delivered to the Trustee cancelled or for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit or cause to be deposited with the Trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such Debentures and coupons not theretofore delivered to the Trustee cancelled or for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or date fixed for redemption, as the case may be, and if, in either case, the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then (except as to the remaining rights of conversion of Debentures) this Indenture shall cease to be of further effect, and the Trustee, on demand of and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. The Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Debentures.

Section 15.02. *Application by Trustee of Funds Deposited for Payment of Debentures and Coupons.* All moneys deposited with the Trustee pursuant to Section 15.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company acting as its own paying agent), to the holders of the particular Debentures and coupons, for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest and premium, if any.

Section 15.03. *Repayment of Moneys Held by Paying Agent.* In connection with the satisfaction and discharge of this Indenture all moneys then held by any paying agent under the provisions of this Indenture shall, upon demand of the Company, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 15.04. *Return of Moneys Held by Trustee and Unclaimed for Six Years.* Any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of and premium, if any, or interest on any Debentures remaining unclaimed for six years after such principal, premium, or interest shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on demand and the holder of any of the Debentures or coupons shall thereafter look only to the Company for any payment which such holder may be entitled to collect; *provided, however,* that the Trustee, or such paying agent, before being required to make any such repayment, may at the expense of the Company cause to be published once a week for two successive weeks (in each case on any day of the week) in an Authorized Newspaper, a notice that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Company. It shall not be necessary for more than one such publication to be made in the same newspaper.

## ARTICLE SIXTEEN.

### Immunity of Incorporators, Stockholders, Directors and Officers.

SECTION 16.01. *Personal Immunity from Liability of Incorporators, Stockholders, Directors and Officers.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any indenture supplemental hereto, or in any Debenture or coupon, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future stockholder, director or officer, as such, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Debentures are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, directors or officers, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or coupons or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, director or officer, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Debentures and coupons.

## ARTICLE SEVENTEEN.

### Miscellaneous Provisions.

SECTION 17.01. *Benefits of Indenture Restricted to Parties and Debentureholders.* Nothing in this Indenture, or in the Debentures, or in the coupons, express or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto, the Debentureholders and coupon holders any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; and all its covenants, conditions and provisions shall be for the sole benefit of the parties hereto and of the holders of the Debentures and coupons.

SECTION 17.02. *Successors.* All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Company shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

SECTION 17.03 *Notices and Demands on Company and Trustee.* Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Debentures to or on the Company may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address of the Company is filed by the Company with the Trustee) to Boeing Airplane Company, 7755 East Marginal Way, Seattle 24, Washington and marked for the attention of the Treasurer. Any notice, direction, request or demand by the Company or any Debentureholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the principal office of the Trustee.

SECTION 17.04. *Laws of State of New York to Govern.* This Indenture and each Debenture shall be deemed to be a contract made under the laws of the State of New York and shall be construed for all purposes in accordance with the laws of said State.

SECTION 17.05. *Officers' Certificates and Opinions of Counsel; Statements to Be Contained Therein.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with, and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 17.06. *Payments Due and Conversions on Sundays and Holidays.* In any case where the date of maturity of interest on or principal of the Debentures or the date fixed for redemption of any Debenture, or the last day on which the holder of a Debenture has the right to exercise the right of conversion thereof at a particular actual conversion rate, shall be a Sunday or a legal holiday or a day on which New York banking institutions are authorized by law to close, then payment of interest or principal and premium, if any, and conversion of the Debentures may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption or such last day for conversion, and, in the case of payment, no interest shall accrue for the period after such date.

Section 17.07. *Conflict of Any Provision of Indenture with Trust Indenture Act of 1939.* If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included herein by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

Section 17.08. *Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 17.09. *Acceptance of Trust by Trustee.* The Chase Manhattan Bank hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

Section 17.10. *Effect of Headings.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

In Witness Whereof, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Boeing Airplane Company,

[Corporate Seal]

By J. O. Yeasting
*Vice President*

Attest:

H. V. Kohr
*Assistant Secretary*

THE CHASE MANHATTAN BANK,

[CORPORATE SEAL]

By J. BRYSON AIRD
*Vice President*

Attest:

H. R. THIESING
*Assistant Secretary*

[Ten counterparts of this Indenture have been executed. United States Internal Revenue Documentary Stamps in the required amount, duly cancelled, are attached to Counterpart No. 1 of this Indenture executed and delivered to the Trustee.]

State of Washington }
County of King } ss.:

On this 18th day of July, 1958, before me personally appeared J. O. Yeasting, to me known to be a Vice President of Boeing Airplane Company, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of the corporation.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year first above written.

Lucius H. Biglow, Jr.

Notary Public in and for the State
of Washington, residing at Seattle

[Notarial Seal]

State of New York }
County of New York } ss.:

On this 23rd day of July, 1958, before me personally came J. Bryson Aird, to me personally known, who, being by me duly sworn, did depose and say that he resides at 177 East 77th Street, New York, New York County, New York, that he is a Vice President of The Chase Manhattan Bank, one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Ernest L. Loser

ERNEST L. LOSER
Notary Public, State of New York
No. 41-7600350
Qualified in Queens County
Cert. filed with New York Co. Clerk
Term Expires March 30, 1960

[Notarial Seal]

BOEING AIRPLANE COMPANY
SEATTLE 24, WASHINGTON

June 25, 1958

To the Stockholders:

Your Company is filing today a Registration Statement with the Securities and Exchange Commission covering a proposed issue of $30,597,600 principal amount of Convertible Subordinated Debentures, due July 1, 1980, to be offered to the holders of its presently outstanding Capital Stock for subscription at the rate of $100 principal amount of Debentures for each 23 shares of Capital Stock held of record at the close of business on or about July 15, 1958. The interest rate, subscription price and the price at which the Debentures will be convertible into Capital Stock of the Company will be fixed at a later date. It is expected that the offering will be underwritten by a group of underwriters managed by Harriman Ripley & Co., Incorporated and Blyth & Co., Inc.

The offer, of course, cannot be made until the Registration Statement becomes effective, and may be abandoned or postponed if the Board of Directors deems such action advisable. In any event, the offering will be made only on the basis of the Prospectus to be mailed to stockholders of record at the close of business on the record date. It is presently expected that the effective date of the Registration Statement will be on or about July 15, 1958, and that Warrants evidencing Subscription Rights will be mailed, except as indicated below, as soon as possible after the Registration Statement becomes effective and will expire on or about July 29, 1958.

It is expected that the Subscription Rights evidenced by the Warrants will have a market value, and will be traded on the New York Stock Exchange. Therefore, if you plan to be away during the period from about July 15 to about July 29, 1958, it is suggested that you make arrangements for the exercise or other disposition of your Warrants before leaving. Your bank or broker will be able to assist you in these arrangements.

Warrants will not be mailed to stockholders with A.P.O. or F.P.O. registered addresses or to stockholders with registered addresses outside the continental United States and Canada, but will be held for such stockholders by City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York, N. Y., as Subscription Agent, until 12:00 o'clock noon, Eastern Daylight Saving Time, on the day before the expiration of the Subscription Offer, and, at such time the Rights represented thereby will be sold, if feasible, by the Subscription Agent for the accounts of such stockholders unless prior thereto other arrangements have been made with the Subscription Agent for exercise, sale or other disposition of the Rights.

As soon as possible after the Registration Statement becomes effective, a letter giving full instructions will be mailed with the Prospectus to the stockholders.

The Company is also filing today a Registration Statement covering a proposed issue of $60,000,000 aggregate principal amount of Sinking Fund Debentures, due August 1, 1978. The Sinking Fund Debentures are to be offered to the public under a separate Prospectus and, unlike the Convertible Subordinated Debentures referred to above, will not be offered to stockholders.

You are not required to take any action at this time, but you should be prepared to act promptly when the offering of the Convertible Subordinated Debentures is made and you receive your formal notice that Rights to subscribe are offered to you.

William M. Allen
*President*

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✓

Registration No. 2-14218

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 25, D. C.

## FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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## Boeing Airplane Company

**(Exact name of registrant as specified in charter)**

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7755 East Marginal Way, Seattle 24, Washington

**(Address of principal executive offices)**

J. O. Yeasting, *Vice President—Finance*
7755 East Marginal Way
Seattle 24, Washington

J. P. Murray, *Vice President—Eastern Representative*
1625 K Street N. W.
Washington 6, D. C.

**(Name and address of agent for service)**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the Registration Statement becomes effective.

### CALCULATION OF REGISTRATION FEE

| Title of each class of securities being registered | Amount being registered | Proposed maximum offering price per unit | Proposed maximum aggregate offering price | Amount of registration fee |
|---|---|---|---|---|
| ......% Convertible Subordinated Debentures, due July 1, 1980............ | $30,597,600 | 110%* | $33,657,400* | $3,365.74 |
| Capital Stock, par value $5 a share.. | ** | ** | ** | none |

* Estimated solely for the purpose of calculating the registration fee.

** Such indeterminate number of shares as may be issuable upon conversion of the % Convertible Subordinated Debentures, due July 1, 1980.

## BOEING AIRPLANE COMPANY

### Cross Reference Sheet for Prospectus

| Item Number and Caption | Heading in Prospectus |
|---|---|
| 1. Distribution Spread | Cover Page, Underwriting |
| 2. Plan of Distribution | Underwriting |
| 3. Use of Proceeds to Registrant | Application of Proceeds |
| 4. Sales Otherwise than for Cash | Inapplicable |
| 5. Capital Structure | Capitalization |
| 6. Summary of Earnings | Summary of Net Earnings and Retained Earnings |
| 7. Organization of Registrant | History and Business |
| 8. Parents of Registrant | Inapplicable |
| 9. Description of Business | History and Business |
| 10. Description of Property | Description of Property |
| 11. Organization within Five Years | Inapplicable |
| 12. Pending Legal Proceedings | History and Business |
| 13. Capital Stock being Registered | Description of Capital Stock |
| 14. Long Term Debt being Registered | Description of the Convertible Subordinated Debentures<br>Sale of Senior Debentures<br>Certain Provisions of the Senior Debentures |
| 15. Other Securities being Registered | Inapplicable |
| 16. Directors and Executive Officers | Management |
| 17. Remuneration of Directors and Officers | Management |
| 18. Options to Purchase Securities | Management |
| 19. Principal Holders of Securities | Management |
| 20. Interest of Management and Others in Certain Transactions | Management |
| 21. Financial Statements | Financial Statements |

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PRELIMINARY PROSPECTUS DATED JUNE 25, 1958

**PROSPECTUS**

# $30,597,600

# Boeing Airplane Company

## ----% Convertible Subordinated Debentures, due July 1, 1980

(to bear interest from July 29, 1958)

Convertible until maturity, unless previously redeemed, into Capital Stock at the conversion rate of ........... shares of Capital Stock for each $100 principal amount of Debentures (equivalent to a conversion price of $.......... per share), subject to adjustment in certain events.

As more fully set forth herein, the Company is offering to the holders of its outstanding Capital Stock of record at the close of business on July 15, 1958 the right to subscribe for these Debentures in the ratio of $100 principal amount of Debentures for each 23 shares of Capital Stock held on such record date. The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958.

The Company has applied for the listing of the Convertible Subordinated Debentures on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Subscription Price | Underwriting Commissions(1) | Proceeds to Company(2) |
|---|---|---|---|
| Per Unit ($100 principal amount) .................. | $100 | | |
| Total ................................ | $30,597,600 | | |

(1) The Company has agreed to indemnify the Underwriters against certain liabilities.

(2) Plus accrued interest from July 29, 1958 on Unsubscribed Debentures and before deduction of expenses of the Company estimated at $.............................

During and after the expiration of the Subscription Offer, the several Underwriters may offer Convertible Subordinated Debentures to the public at prices which it is intended shall not be increased more frequently than once each day and shall not be less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) nor more than the highest known price at which the Convertible Subordinated Debentures are then being offered by a dealer not participating in the distribution to other dealers plus the amount of any concession allowed to dealers. As a result, the Underwriters may realize profits or losses independent of the underwriting compensation stated above.

**Harriman Ripley & Co.**
Incorporated

**Blyth & Co., Inc.**

The date of this Prospectus is July , 1958.

**No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any state to any person to whom it is unlawful to make such an offer or solicitation.**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CONVERTIBLE SUBORDINATED DEBENTURES, CAPITAL STOCK AND RIGHTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SUBSCRIPTION OFFER

Boeing Airplane Company (herein called "the Company") hereby offers to the holders of its Capital Stock of record at 3:30 p. m. Eastern Daylight Saving Time on July 15, 1958 the right to subscribe for its % Convertible Subordinated Debentures, due July 1, 1980 (herein called "Convertible Subordinated Debentures"), at a Subscription Price of 100% of the principal amount subscribed and at the rate of $100 principal amount of Convertible Subordinated Debentures for each 23 shares of Capital Stock held on the record date.

**Warrants:** Rights to subscribe are evidenced by fully transferable Warrants. One Right will be issued for each full share of Capital Stock held on the record date, and 23 Rights will be required to subscribe for each $100 principal amount of Convertible Subordinated Debentures. Subscriptions will be accepted only for $100 principal amount of Convertible Subordinated Debentures or multiples thereof. Instructions for the use and disposition of the Warrants are set forth on the reverse side thereof.

**Expiration Date:** The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958, and Warrants will become void if not exercised by that time.

**Method of Subscription:** Subscriptions are to be made by filling out and signing the subscription agreement (Form 1) on the face of the Warrant and delivering the Warrant, accompanied by full payment of the Subscription Price, to the Subscription Agent, City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, New York, by 3:30 p. m. Eastern Daylight Saving Time on the Expiration Date. Payment of the Subscription Price must be made in United States dollars and may be in cash or by check or bank draft drawn on a bank in the continental United States or by postal or express money order, payable to the order of City Bank Farmers Trust Company, Agent, or Boeing Airplane Company. If, on or prior to the Expiration Date, the Agent shall actually receive, by telegram or otherwise, payment of the full Subscription Price for Convertible Subordinated Debentures subscribed for, together with a telegram or letter from a bank or broker guaranteeing delivery of the Warrant or Warrants, designated by serial number, such subscription will be accepted subject to receipt by the Agent of the duly executed Warrant or Warrants.

**Purchase and Sale of Rights:** It is expected that the Rights will be traded on the New York Stock Exchange. Rights may be purchased or sold through the usual investment channels. Arrangements have been made with the Subscription Agent whereby a Warrant holder may sell Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23. This service will be rendered by the Subscription Agent, as agent for the Warrant holders, without charge to the Warrant holders (other than the cost of Rights purchased), as the Company will assume all brokerage commissions, transfer taxes and fees and expenses of the Agent. The Subscription Agent may offset buying and selling orders, and the Subscription Agent's execution of other orders is subject to the Subscription Agent's ability to find a buyer or seller.

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**Delivery of Convertible Subordinated Debentures:** Convertible Subordinated Debentures in definitive or temporary form will be delivered on or as soon as practicable after the Expiration Date, provided checks given in payment of the Subscription Price and the cost of any Rights purchased have first been cleared.

**Foreign Stockholders:** Warrants will not be mailed to stockholders with A. P. O. or F. P. O. addresses or with addresses outside the continental United States or Canada, but will be held for their accounts by the Agent until 12 noon Eastern Daylight Saving Time on the last business day preceding the Expiration Date, at which time, in the absence of contrary instructions, they will be sold if feasible and the net proceeds distributed to such stockholders.

## SALE OF SENIOR DEBENTURES

The Company has filed a Registration Statement covering $60,000,000 principal amount of .......% Sinking Fund Debentures, due August 1, 1978 (herein called "Senior Debentures" or "Sinking Fund Debentures") which it is proposed will be offered for sale to the public through underwriters by means of a separate prospectus on or about the date the Convertible Subordinated Debentures, to which this Prospectus relates, are first offered to the holders of the Company's Capital Stock. Delivery of and payment for the Senior Debentures will be contingent upon the receipt by the Company of the proceeds from the sale of all the Convertible Subordinated Debentures.

## APPLICATION OF PROCEEDS

The recent growth of the Company's business, as evidenced by the "Summary of Net Earnings and Retained Earnings" herein, coupled with the Government's recent reductions of progress payment and cost reimbursement percentages (hereinafter described), is requiring increased amounts of working capital. Also, during the years 1956 and 1957 the Company expended over $75,000,000 for new capital facilities. As a consequence, at June 16, 1958, the Company had outstanding short-term bank loans of $115,000,000 under open lines of credit aggregating $150,000,000. It is expected that a substantial portion of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures will be used to reduce the aforementioned bank loans.

It is presently anticipated that during the years 1958 and 1959 the Company's expenditures for additions and improvements to its properties and facilities will be roughly equivalent to the estimated aggregate charges of about $40,000,000 for depreciation and amortization for those two years. However, the Company believes that it will require additional funds principally for work in process inventories and receivables. Any balance of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures not applied to the reduction of bank loans will be available, together with retained earnings, for such inventories and receivables. The Company expects to obtain any additional funds which may be required through bank borrowings. However, it may obtain all or a part thereof from other borrowings or from the sale of securities.

## CAPITALIZATION

The capitalization of the Company as of March 31, 1958, and as adjusted to give effect as of that date to the sale of the Senior Debentures and the Convertible Subordinated Debentures, is as follows:

| | Outstanding as of March 31, 1958 | As Adjusted |
|---|---|---|
| **Funded Debt:** | | |
| Sinking Fund Debentures, due 1978, authorized $60,000,000 | None | $60,000,000 |
| Convertible Subordinated Debentures, due 1980, authorized $30,597,600 | None | 30,597,600 |
| Total Funded Debt | None | $90,597,600 |
| **Stockholders' Investment:** | | |
| Capital Stock, par value $5 a share—authorized 10,000,000 shares(1); issued and outstanding 7,037,447 shares at stated value(2) | $ 97,884,588 | $ 97,884,588 |
| Retained earnings(3) (4) | 91,827,706 | 91,827,706 |
| Total Stockholders' Investment | $189,712,294 | $189,712,294 |

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(1) Of the authorized unissued shares, 274,513 shares are available for issuance under the Company's Stock Option and Incentive Compensation Plans (hereinafter described) free from preemptive rights of stockholders, and ............ additional shares are reserved for issuance upon conversion of the Convertible Subordinated Debentures.

(2) In March 1958, the Company issued 83,864 shares of Capital Stock pursuant to the Incentive Compensation Plan and $3,050,553 was credited to the Capital Stock account by reason thereof.

(3) See Note 1 to "Summary of Net Earnings and Retained Earnings" herein.

(4) For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures" herein.

The Company has an open line of credit aggregating $150,000,000 with a group of seventeen banks. The credit is on an annual review basis and there is no commitment fee. Borrowings are evidenced by unsecured 90-day notes bearing interest at the prime rate in effect at the time of such borrowings. At June 16, 1958, $115,000,000 of borrowings were outstanding against this line of credit.

## PRICE RANGE OF CAPITAL STOCK

The following tabulation sets forth the reported high and low sales prices of the Company's Capital Stock on the New York Stock Exchange from January 1, 1948 through June 18, 1958, adjusted (to the nearest one-eighth) to reflect the three-for-two stock split in May 1952, the two-for-one stock split in May 1954, and the two-for-one stock split in August 1956. The prices are not adjusted for dividends paid in Capital Stock as follows: 1956—2%, and 1957—4%.

| Calendar Year | High | Low | Calendar Year | High | Low |
|---|---|---|---|---|---|
| 1948 | 4⅞ | 3¼ | 1954 | 37½ | 11⅝ |
| 1949 | 4¼ | 3 | 1955 | 44¼ | 27⅜ |
| 1950 | 7 | 3⅞ | 1956 | 65⅜ | 34⅝ |
| 1951 | 9⅜ | 6½ | 1957 | 61⅛ | 29 |
| 1952 | 10⅜ | 7½ | 1958 (through June 18) | 44⅝ | 34⅛ |
| 1953 | 12⅝ | 9⅛ | | | |

The last sale price on the New York Stock Exchange on June 18, 1958, was $43.25.

## SUMMARY OF NET EARNING

The following summary of net earnings and retained earnings for the ten years ended December 3
1957 has been prepared from financial statements which have been examined by Touche, Niven, Bailey (a
Smart, independent certified public accountants, as set forth in their report appearing elsewhere in this Pro
spectus. Information contained in the summary for the three-month periods ended March 31, 1957 and Marc

| | 1948 | 1949 | 1950 | 1951 |
|---|---|---|---|---|
| | | | (Notes 1 and 2) | |
| Sales | $126,932 | $286,752 | $307,251 | $337,30 |
| Other income | 373 | 261 | 555 | 65 |
| | $127,305 | $287,013 | $307,806 | $337,95 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the period | $120,196 | $273,224 | $276,711 | $308,73 |
| Research and developmental expenses | 440 | 525 | 1,102 | 1,43 |
| General and administrative expenses | 1,780 | 2,368 | 3,145 | 4,75 |
| Depreciation and amortization | 664 | 713 | 804 | 1,19 |
| Incentive compensation for officers and employees | 180 | 500 | 1,400 | 1,10 |
| Other expenses | 722 | 750 | 305 | 45 |
| Interest expense | 422 | 942 | 112 | 43 |
| | $124,404 | $279,022 | $283,579 | $318,11 |
| **Earnings before Taxes on Income** | $ 2,901 | $ 7,991 | $ 24,227 | $ 19,84 |
| Federal and state taxes on income: | | | | |
| Federal excess profits tax | $ — | $ — | $ 2,520 | $ 2,54 |
| Federal and state income taxes | 1,185 | 3,580 | 10,880 | 10,16 |
| | $ 1,185 | $ 3,580 | $ 13,400 | $ 12,70 |
| **Net Earnings** | $ 1,716 | $ 4,411 | $ 10,827 | $ 7,14 |
| Retained earnings at beginning of period | 29,258 | 30,520 | 32,766 | 40,34 |
| | $ 30,974 | $ 34,931 | $ 43,593 | $ 47,48 |
| Cash dividends paid | $ 1,083 | $ 2,165 | $ 3,247 | $ 3,24 |
| Amounts transferred to the capital stock account by the Board of Directors: | | | | |
| Stock splits (three-for-two in 1952; two-for-one in 1954 and 1956) | | | | |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | | | | |
| Restoration of unnecessary portion of reserve for contract adjustments and indeterminate expenses | (629) | | | |
| | $ 454 | $ 2,165 | $ 3,247 | $ 3,247 |
| Retained earnings at end of period | $ 30,520 | $ 32,766 | $ 40,346 | $ 44,240 |
| Net earnings per share (Note 3) | $0.25 | $0.64 | $1.57 | $1.04 |
| Cash dividends per share (Note 3) | 0.16 | 0.31 | 0.47 | 0.47 |

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**Notes to Summary**

1. Unilateral determinations of excessive profits have been made by the Renegotiation Board for the years 1952, 1953 and 1954, of $9,822.340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. The required net refunds, amounting after credits for applicable federal income and excess profits taxes to $2,946,702, $2,057,793, and $4,637,956, respectively, have been paid or provided for in the accounts. Financial data shown in the above summary have been restated to give effect to the refunds in the applicable years, except that the refund for the year 1952 has been reduced by an allowance of $1,200,000, net of taxes, which was originally provided in the year 1950. Petitions have been filed with the Tax Court of the United States for redetermination of the Board's orders for the years 1952, 1953 and 1954.

The Company does not know and cannot reasonably predict what the Board's actions will be for the years subsequent to 1954. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for years subsequent to 1954 or for the three months ended March 31, 1958.

2. In 1950 the accounting policy of the Company was changed to accrue all applicable fees on cost-plus-a-fixed-fee contracts. Under the former policy the withheld portion of such fees was not accrued until collectible. The effect of the change was to increase sales for 1950 by $1,445,785 and net earnings by $691,230.

3. The net earnings and cash dividends per share are based on the number of shares outstanding at the end of each period adjusted for the subsequent stock splits and stock dividends referred to in the above summary.

4. The results of operations for the three months ended March 31, 1958 should not be regarded as necessarily indicative of the results of operations that may be expected for the year ending December 31, 1958.

5. For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

## ND RETAINED EARNINGS

1, 1958 has been prepared from financial statements of the Company not examined by independent account-
nts, but the management of the Company believes that all adjustments necessary to a fair summary of the
esults for such three-month periods have been included. The summary is subject to, and should be read in
onjunction with, the financial statements and related notes included elsewhere in this Prospectus.

| In thousands of dollars | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended December 31, | | | | | | Three months ended March 31, | |
| 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1957 (without audit) | 1958 (without audit) |
| (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Notes 1 and 4) |
| $731,688 | $912,431 | $1,023,514 | $853,828 | $1,006,357 | $1,596,509 | $292,712 | $411,052 |
| 747 | 1,125 | 1,047 | 776 | 1,168 | 762 | 151 | 45 |
| $732,435 | $913,556 | $1,024,561 | $854,604 | $1,007,525 | $1,597,271 | $292,863 | $411,097 |
| $674,394 | $832,084 | $ 931,446 | $764,603 | $ 905,185 | $1,466,057 | $266,908 | $374,531 |
| 3,539 | 14,561 | 8,541 | 8,412 | 12,458 | 19,646 | 3,015 | 5,773 |
| 6,346 | 6,965 | 8,347 | 9,409 | 9,656 | 13,017 | 2,844 | 3,490 |
| 1,642 | 2,796 | 4,030 | 4,925 | 6,238 | 12,422 | 1,918 | 4,575 |
| 2,500 | 3,000 | 3,900 | 3,250 | 3,866 | 3,995 | 875 | 1,250 |
| 630 | 1,085 | 1,174 | 1,293 | 2,215 | 2,469 | 423 | 214 |
| 922 | 62 | 59 | 71 | 572 | 2,005 | 5 | 1,165 |
| $689,973 | $860,553 | $ 957,497 | $791,963 | $ 940,390 | $1,519,611 | $275,988 | $390,998 |
| $ 42,462 | $ 53,003 | $ 67,064 | $ 62,641 | $ 67,135 | $ 77,660 | $ 16,875 | $ 20,099 |
| $ 7,701 | $ 8,732 | $ — | $ — | $ — | $ — | $ — | $ — |
| 22,423 | 26,011 | 34,726 | 32,250 | 35,000 | 39,500 | 8,800 | 10,600 |
| $ 30,124 | $ 34,743 | $ 34,726 | $ 32,250 | $ 35,000 | $ 39,500 | $ 8,800 | $ 10,600 |
| $ 12,338 | $ 18,260 | $ 32,338 | $ 30,391 | $ 32,135 | $ 38,160 | $ 8,075 | $ 9,499 |
| 44,240 | 30,603 | 43,187 | 40,999 | 60,811 | 61,548 | 61,548 | 84,067 |
| $ 56,578 | $ 48,863 | $ 75,525 | $ 71,390 | $ 92,946 | $ 99,708 | $ 69,623 | $ 93,566 |
| $ 4,326 | $ 5,676 | $ 9,729 | $ 10,579 | $ 8,163 | $ 6,681 | $ 1,666 | $ 1,738 |
| 21,049 | | 24,797 | | 16,340 | | | |
| | | | | 6,895 | 8,960 | | |
| $ 25,975 | $ 5,676 | $ 34,526 | $ 10,579 | $ 31,398 | $ 15,641 | $ 1,666 | $ 1,738 |
| $ 30,603 | $ 43,187 | $ 40,999 | $ 60,811 | $ 61,548 | $ 84,067(5) | $ 67,957 | $ 91,828(5) |
| $1.79 | $2.65 | $4.70 | $4.40 | $4.63 | $5.49 | $1.16 | $1.35 |
| 0.63 | 0.82 | 1.41 | 1.53 | 1.18 | 0.96 | 0.24 | 0.25 |

### Interest and Dividends

Initial annual interest charges on the Sinking Fund Debentures and on the Convertible Subordinated Debentures will be $ and $ , respectively.

In 1956, following the two-for-one stock split in that year, the Board of Directors announced the following new dividend policy:

> "It is the intention of the Board that following the stock split-up the quarterly cash dividend rate shall be 25¢ per share, that such cash dividend shall be supplemented by the distribution of a small stock dividend annually, and that this policy shall be continued during the period of the Company's requirement for substantial additional capital funds."

In pursuance of this policy, the Company on June 10, 1958 paid a quarterly cash dividend of 25¢ a share.

The Board of Directors has no present intention of changing its announced policy. However, the continuation of this policy and the payment of future dividends, whether in cash or in stock or both, are dependent upon future earnings, the financial requirements of the Company, and other factors.

## HISTORY AND BUSINESS

### General

The Company was incorporated in Delaware in 1934 to acquire certain assets of United Aircraft & Transport Corporation. However, the original predecessor corporation of the Company was organized by W. E. Boeing in Seattle, Washington, in 1916. The Company's principal executive offices are located at 7755 East Marginal Way, Seattle, Washington, and the principal properties operated by it are located in Seattle and Renton, Washington and Wichita, Kansas. The Company has no subsidiaries.

Since its inception the Company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the Company has also been engaged in research and development work in the military missile field, including management of over-all development of a complete weapons system, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto. The Company's operations are currently conducted through an administrative headquarters, five operating divisions and a Systems Management organization which was recently established to manage advanced weapons systems programs.

All aircraft and missiles currently being produced by the Company are powered by turbojet engines or ramjet and rocket engines. Certain items of equipment for the Company's products, such as engines and engine accessories, instruments, and bombing and fire control systems, are not designed or manufactured by the Company. These items are either furnished by customers or purchased from others. In addition, the Company purchases from others substantial quantities of other components which are designed by the Company.

The Company has not manufactured and delivered any commercial aircraft since 1950. However, in 1955 the Company offered to the commercial airlines of the world a four-engine jet transport aircraft, and the Company has been actively engaged in soliciting sales contracts for commercial jet transport aircraft since that time.

The Company's backlog of business under contract as of year-end for the past three years and on March 31, 1958, divided between military and commercial orders, is as follows:

| Year | Total | Military | Commercial |
|---|---|---|---|
| December 31, 1955 | $2,624,000,000 | $2,272,000,000 | $352,000,000 |
| December 31, 1956 | 3,024,000,000 | 2,385,000,000 | 639,000,000 |
| December 31, 1957 | 2,452,000,000 | 1,659,000,000 | 793,000,000 |
| March 31, 1958 | 2,880,000,000 | 2,067,000,000 | 813,000,000 |

A portion of the work included in the backlog figures tabulated above had been performed as of each of the above dates. Costs applicable to such performance as of each of such respective dates, against which the Company had received substantial progress or advance payments, were as follows:

| | |
|---|---|
| December 31, 1955 | $523,469,000 |
| December 31, 1956 | 655,180,000 |
| December 31, 1957 | 654,219,000 |
| March 31, 1958 | 625,832,000 |

Based on published annual reports of the major airframe manufacturers in the United States for the last five years, the Company believes that it was first in volume of gross sales of aircraft, missiles and related products among such manufacturers during the years 1953, 1954 and 1957 and second during the years 1955 and 1956.

The business in which the Company is engaged is a highly competitive one, which requires extraordinary emphasis on research and development work and the advancement of the state of the art in the development of new products. The necessarily changing requirements of the Federal Government with respect to both the type and quantity of military aircraft, missiles and other weapons systems make uncertain the amount and type of future military business of the Company. In addition, as commercial aircraft tend to become larger, faster and more costly, the design, development and production of commercial aircraft involve greater financial risks than those inherent in similar programs in prior years.

The principal developments in the products of the Company, certain changes which have occurred in the nature of such products, and certain additional changes which are presently occurring with respect thereto are further described below.

## Military Production

The Company is an important designer and producer of military aircraft and allied products, particularly large multi-engine aircraft. Subsequent to World War II the Company produced for the United States Air Force substantial quantities of four-engine, propeller-driven B-50 bomber and C-97 cargo and troop transport and KC-97 in-flight refueling tanker aircraft. The last B-50 bomber produced by the Company was delivered to the Government in 1953, and the last KC-97 tanker produced by the Company was delivered in 1956. The Company is not now producing any propeller-driven aircraft. However, substantial quantities of these aircraft are still in use by the Government, and the Company is producing spare parts for such aircraft.

In 1948 the Company delivered to the Government the first prototype model B-47 Stratojet six-engine jet bomber. Delivery of the first production model of this aircraft was made in 1950, and production continued thereafter at a high rate through 1956. Substantial quantities of B-47's were also built by Douglas Aircraft Company and Lockheed Aircraft Corporation for the Air Force under license agreements with the Company.

Although the Company is not now producing any B-47 type aircraft, the Company is continuing to manufacture and sell to the Government substantial quantities of spare parts for this aircraft, and in addition the Company is performing a limited amount of modification, overhaul and repair work on B-47 type aircraft and has contracts to convert a limited number of B-47's for special uses.

In 1951 the first prototype model B-52 Stratofortress aircraft, an eight-engine jet bomber, was rolled out of the Company's Seattle plant. The first production model of this aircraft was delivered to the Government in 1954. Since that date substantial quantities of this aircraft have been produced, both in Seattle and in Wichita. Production of B-52's presently constitutes the major portion of the Company's business in Wichita and a substantial portion of the Company's business in Seattle. The final delivery of B-52 aircraft in Seattle is presently scheduled for February 1959. A contract for an improved version of this model, the B-52G, was received by the Company in 1957 and production of this version is now underway in Wichita. Deliveries of this version under present contracts are currently scheduled for completion early in 1960; however, the Company has been informed by the Government that it is considering the ordering of additional quantities of this model.

In 1952 the Company, at its own expense, embarked upon a program of design, development and construction of a four-engine jet tanker-transport prototype, at a cost of approximately $16,000,000. The twofold objective of the program was to develop a military jet tanker aircraft for in-flight refueling of jet bombers and fighters and for other military purposes, and to develop a jet transport aircraft for commercial purposes. The prototype made its first flight in July 1954, and shortly thereafter the Company was awarded a contract by the United States Air Force for the production of a military jet tanker-transport aircraft, designated the KC-135. The first production model of the KC-135 was delivered to the Government in January 1957. Production of this model and spare parts therefor now constitutes a substantial portion of the Company's business in the Seattle-Renton area.

The Company's first research contract in the missile field was received in 1945. Since that time the Company has been continuously engaged in research and development work in this field and is currently producing for the Air Force the Bomarc IM-99, a supersonic area defense missile. The Bomarc missile, powered by liquid boost rocket and ramjet engines, has an over-all length of 47 feet, has a range of 200 to 250 miles, and an operating altitude of about 60,000 feet. In addition to the missile itself, the Company has the responsibility for providing most of the other components of the weapons system, including launching and control equipment, for installing such components at Government-provided launching bases, and for integrating the complete weapons system. Much of the equipment and work is provided through subcontractors.

Further research and development work in the area defense field is continuing under a contract with the United States Air Force for a program to extend the range of the Bomarc IM-99 missile beyond 400 miles, to improve other performance capabilities, and to change to a solid fuel boost rocket engine.

The Company has established new scientific research laboratories and is conducting investigations and studies in various additional areas which are believed to have potential for new military business, including manned and unmanned long-range glide rockets and other advanced airborne and ballistic vehicles and advanced military transport-tanker equipment. Proposals in some of these areas have been made to agencies of the Government but no production contracts have been received by the Company. However, on June 16, 1958, the Air Force announced that the Company and one other aircraft company had been selected as competitive sources for development of the Air Force's advanced boost glide aircraft called Dyna-Soar. The term Dyna-Soar is a contraction of the words dynamic soaring. The objective of the program is to develop a boost glide vehicle to orbit around the earth one or more times under control and to make a controlled return to the earth. It is anticipated that research and development contracts will be placed by the Air Force with both sources for the development of competitive designs and that each source will utilize the specialized skills of other companies in developing its design.

The Company is also producing small gas turbine engines on a limited basis for use principally by the Navy as power plants for small boats, by the Navy and the Air Force as auxiliary power supply units, and for experimental use in helicopters and radio-controlled target aircraft.

As is indicated above, since World War II the Company's military business may be roughly divided into three categories: large multi-engine bombers, large multi-engine transport-tanker type aircraft, and missiles. As the state of the art of the aircraft industry has advanced from propeller-driven to jet-engine-powered aircraft, the Company has been successful in maintaining its position as a principal producer of multi-engine heavy bomber and tanker type aircraft. The B-47 and B-52 production programs followed on after the B-50 production program. Likewise, the KC-135 jet tanker-transport program was a logical follow-on to the C-97 and KC-97 series aircraft. The Company currently has substantial orders for B-52 bomber aircraft and has been informed by the Government that additional orders for improved versions thereof are under consideration, but the Company is not now working on a multi-engine bomber as a replacement for the B-52. Also, the Company currently has substantial orders for the new KC-135 tanker-transport aircraft and anticipates that it will obtain additional orders for this type aircraft. While it is possible that military weapons systems of the future will not require tanker aircraft support, the Company believes there will be a continuing requirement for this type aircraft for use as a transport and other specialized purposes. In the missile field the Company's efforts have been constantly increasing, although the Company has only one missile production program, the Bomarc IM-99.

As a result of the accelerating emphasis throughout the world on the development of missiles and other weapons systems utilizing equipment and design and production techniques some of which are not traditional to the aircraft industry, and the requirement that Government contractors assume increased responsibility for the development and integration of complete weapons systems, the Company has recently enlarged its activities in these areas and may be expected in the future to expand such activities. The new Systems Management organization of the Company has been established to organize, manage and coordinate the development and production of advanced weapons systems for which the resources of two or more companies are required. The changes occurring in the nature of future military weapons systems are requiring research and development work by the Company in new technological fields and are leading it into competition with companies in other industries with whom it has not heretofore been in competition. The extent to which the Company will obtain future military business in these fields will depend in large measure upon its ability to become proficient in these technologies and to provide the required over-all weapons system management.

### Government Contracts

Substantially all of the Company's government contracts covering work performed for the Government are either of the fixed price incentive or cost reimbursement type. The fixed price incentive type provides for establishment of a target cost, price and profit either at time of execution of the contract or after some production experience has been obtained and for participation, within the limits provided in the contract, by the Company and the Government in the underrun or overrun of the actual cost compared to the target cost. The cost reimbursement type provides for reimbursement of costs with certain exceptions and payment of a fee as specified in each contract. In addition to provisions for termination for default, all of these government contracts provide that they may be terminated by the Government whenever the Government determines that such termination is in its best interest. Upon termination for the convenience of the Government, the Company is entitled to be paid its costs, with certain exceptions, and in general a proportionate share of the profit or fee on the work done.

For a number of years the Company received progress payments as work was performed under fixed price type contracts of amounts up to 90% of costs incurred. In 1955 the Government reduced progress payments under such contracts to 75% of total costs, and in August of 1957 to 70%. Also, in November 1957 the Government reduced current reimbursement percentages under cost reimbursement contracts from 100% to 80% of expenditures thereunder. As a result of these changes, the Company is required to finance a greater portion of the work in process inventories and receivables under government contracts.

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. The Renegotiation Board has issued unilateral orders for the years 1952, 1953 and 1954 determining that the Company earned excessive profits (before adjustment for applicable income taxes) for such years of $10,000,000, $7,500,000 and $10,000,000, respectively, requiring refunds to the Government of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. After giving effect to applicable federal income and excess profits tax credits, the net amount of the refund for each of such years is $2,946,702, $2,057,793 and $4,637,956, respectively. The Company has paid or provided for the net refunds as above stated and has filed with the Tax Court of the United States petitions for redetermination of the Board's orders. It is expected that the 1952 case will be tried in the fall of 1958. The Renegotiation Act provides that the Tax Court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board and that the proceeding shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo*. The Company does not know and cannot reasonably predict what the actions of the Renegotiation Board will be for the years 1955, 1956, 1957 and 1958. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for any periods subsequent to 1954. However, there is no assurance that the Company may not be required to make refunds for those years or that the Company will be successful in its suits with respect to the Board's orders for the years 1952, 1953 and 1954.

**Commercial Production and Contracts**

Prior to World War II the Company was a pioneer in the design and manufacture of commercial transport aircraft. Since World War II and prior to the advent of the jet transport era, its only production of commercial aircraft was the twin-deck, four-engine, propeller-driven Model 377 Stratocruiser. In late 1945 and in 1946 orders were obtained for 55 Stratocruisers from six domestic and foreign airlines. These aircraft were delivered in 1949 and 1950 at a total loss to the Company of about $13,800,000 exclusive of applicable general and administrative and selling expenses. This loss resulted from a combination of unfavorable factors, including among others, a four-and-one-half months' strike at Seattle in 1948 and unforeseen delays in production schedules and in obtaining certification by the Civil Aeronautics Administration.

The Company's experience with the design, construction and flight testing of the four-engine jet tanker-transport prototype previously mentioned enabled it to offer a commercial jet transport aircraft to the commercial airlines based on actual flight performance of a prototype aircraft. In 1955 the Company obtained from the Government the right to use on a rental basis in the construction of commercial jet aircraft certain Government-owned land, buildings and general purpose machinery and equipment which are used by the Company in its other operations. The Company also obtained from the Government the right to use for the same purpose certain Government-owned jigs, dies, fixtures, special test equipment and other special tooling used by the Company in its KC-135 project, subject to the payment to the Government of an agreed portion of the estimated cost of such special tooling based upon the usage made thereof by the Company in the production of commercial aircraft and subject to the right of the Government to terminate such usage if it should interfere with present or future Government delivery schedules. The Company believes present Government schedules could be substantially accelerated without resulting in such interference.

The Company has now developed five versions of a four-engine jet transport aircraft which have been ordered by commercial airlines. Four of the versions are known as the Model 707, two of which are of extreme long range called the Intercontinental, and two of which are long range called the Stratoliner. The fifth version is of short-to-medium range and is known as the Model 720. The first order for Model 707 aircraft was obtained in October 1955, and 184 Model 707 and 720 jet transports have now been ordered by six United States and nine foreign airlines. In addition, the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives. Of these aircraft 164 are included in the Company's backlog of commercial orders at March 31, 1958, shown above.

The rollout (October 28, 1957) and first flight (December 20, 1957) of the first production jet transport, a Stratoliner, occurred ahead of the originally established schedule. This aircraft and the second and third production models had accumulated an aggregate of 354 hours of flight time by June 17, 1958. These three aircraft are undergoing extensive Civil Aeronautics Administration (CAA) certification test programs. It is the opinion of the Company that the substantial flight time of 942 hours (as of June 17, 1958) on the prototype will materially shorten the time which would otherwise be required to obtain CAA certification. The first certificated Stratoliner is scheduled by contract to be delivered in December 1958, the first Intercontinental in August 1959, and the first Model 720 in April 1960; however it is presently anticipated that the first certificated Stratoliner will be delivered prior to the contract date. The status of all commercial aircraft now in production is such that barring unforeseen difficulties deliveries thereof are expected to be made on or ahead of contract schedules.

Substantial advance payments are obtained from commercial customers prior to the commencement of and during the manufacture of the aircraft ordered. In connection with certain orders for Model 707 aircraft, the Company has entered into agreements relating to the purchase by the Company of sixteen used aircraft, under which the Company may, under certain conditions, have a maximum obligation of approximately $4,500,000. With respect to the sale of aircraft to certain airlines, the Company has agreed to accept interest-bearing notes for a limited portion of the sales price, the maturities of some of which extend up to seven years after delivery of the aircraft to which such notes relate.

Included in the above stated backlog of commercial orders are 33 Model 707 aircraft which the Hughes Tool Company has contracted to purchase at a total purchase price of about $166,000,000. Pursuant to the terms of the two contracts involved, each of which is assignable to Trans World Airlines, Hughes Tool Company has made advance payments aggregating about $39,000,000, but failed to make advance payments totalling about $4,900,000 due April 1, 1958. Additional payments totalling the same amount are due July 1, 1958. On April 1, 1958, the Hughes Tool Company advised the Company that it believed the Company was discriminating against the Hughes Tool Company and Trans World Airlines in its scheduled sequence of manufacture and delivery of Model 707 aircraft and was not fulfilling certain alleged oral representations with respect thereto, and that Hughes Tool Company was withholding payment of any further advance payments pending a satisfactory explanation and revision of such matters. Although several conferences have been held by representatives of the parties, it appears that there still exist some differences of opinion as to the existence and nature of the alleged discrimination and oral representations. The Company has been advised by its counsel that there is no merit to the position taken by the Hughes Tool Company and that, by reason of such non-payment, the Hughes Tool Company is in default in the performance of both contracts. The Company believes that the claims of the Hughes Tool Company are unfounded.

The design, production and sale of commercial aircraft has been and is a highly competitive business. The Model 707 and 720 transports are directly competitive with long and medium range jet transports being offered both in this country and in foreign countries by a number of domestic and foreign manufacturers.

The Company believes that it has made good progress in re-establishing itself in the commercial aircraft business. It plans to continue its development of advanced models of aircraft to meet the future requirements of the airlines and is currently conducting investigations and studies for this purpose. However, as previously pointed out, the development, testing, construction and marketing of new aircraft such as the Model 707 and 720 is a hazardous undertaking. The ultimate success of the Company in the commercial field will depend upon many things, including among others, the total quantity sold which in turn is dependent in part on the financial capabilities of the world's commercial airlines; whether the Company can produce the aircraft at costs reasonably within the limits of the estimates of cost used in establishing sales prices for the aircraft; the ability of the Company to obtain CAA certification of the aircraft within a reasonable period of time; and unforeseeable changes in general economic, industrial and international conditions or in legislative, governmental or administrative regulations which take place between the commencement of production and the delivery of aircraft.

### Employee Relations

On June 1, 1958 the Company had slightly more than 90,000 employees, about two-thirds of whom were employed in the Seattle-Renton area. Substantially all factory employees at the Seattle, Renton and Wichita plants are represented by locals of the International Association of Machinists (A.F.L.-C.I.O.). Professional engineers (other than supervisory) at the Seattle and Renton plants are represented by the Seattle Professional Engineering Employees Association, and at Wichita by the Wichita Engineering Association. The Company has agreements with these and other unions covering wages, hours and other conditions of employment.

An agreement was recently reached with a lodge of the International Association of Machinists, covering about 36,000 employees in the State of Washington, which is subject to renewal or termination on April 22, 1960. The agreement provides for certain increases in wage rates effective May 23, 1958 and May 23, 1959, the aggregate of which are generally no greater than those granted in recent settlements by other major West Coast airframe companies. The agreement also provides for negotiation on the subject of wage rates, relating to the period after May 22, 1959, if request for such negotiation is made at least 60 days prior to that date, but without the right to strike in the event agreement as to change is not reached.

The agreement with a lodge of the International Association of Machinists covering about 17,000 employees at Wichita, is subject to renewal or termination on July 22, 1958, but provides for an automatic extension to August 22, 1958, if a new agreement has not been reached prior to July 22. The Company is currently engaged in negotiations with this union.

The other agreements are subject to renewal at various times during the year 1958 or subsequently, and provide that negotiations toward renewal may be opened in advance of the date for renewal.

There have been no work stoppages at Company plants since the strike at the Seattle plants which ended in September 1948.

The Company has in effect various benefit plans which form a comprehensive employee security program. These plans include a non-contributory trusteed retirement plan for employees, and group insurance plans which offer life, accident and hospital and surgical insurance to employees, and hospital and surgical insurance to their dependents. Reference is made to Note C to the financial statements for further information concerning the retirement plan.

An Incentive Compensation Plan for Officers and Employees of the Company was first adopted by the stockholders in 1947. The Plan provides in effect that in any year the Board of Directors may set aside a sum not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such sum awards are made by the Incentive Compensation Committee elected by the Directors to such officers and employees, and certain former employees and the survivors of certain deceased employees, as the Committee shall determine. The members of the Committee are not eligible to participate in any awards. No award in excess of 5% of the fund may be made in any one year to any one officer or employee. Awards of less than $500 and awards to former employees and the survivors of deceased employees are paid in cash. Awards of $500 or more after deductions required by federal or state statute are paid approximately one-half in cash and one-half in

Capital Stock at the market value thereof on the distribution date. However, the Plan provides that the Board of Directors may direct that a greater portion of any award shall be paid in Capital Stock if the Board determines that this is in the best interests of the Company. Awards for the year 1957, which were paid to the maximum extent possible under the Plan in full shares of Capital Stock, were made to 7,940 officers and employees in the aggregate amount of $3,994,390, of which $102,790 was paid to fifteen executive officers of whom six were also directors.

## DESCRIPTION OF PROPERTY

The following tabulation summarizes the approximate building and land areas of the principal operating properties of the Company showing the relationship between the Company-owned and Company-leased and Government-owned facilities operated by the Company under contract as of April 30, 1958. The tabulation also shows the approximate relationship between Company-owned and Government-owned machinery and equipment.

| | Company-Owned Facilities | | Government-Owned Facilities | | Facilities Leased from Others | | Ownership of Machinery and Equipment | |
|---|---|---|---|---|---|---|---|---|
| | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Company | Government |
| Seattle Area* | 4,671,029 | 233.59 | 3,420,790 | 147.21 | 1,334,346 | 230.17 | 40% | 60% |
| Renton Area | 741,861 | 68.17 | 2,333,430 | 92.99 | 33,581 | 41.39 | 60% | 40% |
| Wichita Area | 328,816 | 30.35 | 5,050,863 | 540.97 | 356,484 | 34.25 | 5% | 95% |
| Moses Lake Area* | — | — | 768,241 | 327.20 | — | — | 10% | 90% |
| | 5,741,706 | 332.11 | 11,573,324 | 1,108.37 | 1,724,411 | 305.81 | | |

* Certain land, buildings, and machinery and equipment owned by the Government and operated by the Company or leased from others located in the nearby communities of Auburn, Bellevue and Tacoma, Washington, and used for office, warehousing and other support functions for both Seattle and Renton operations, are included in the Seattle Area in the tabulation above. The Moses Lake facilities in eastern Washington are used for flight test and delivery of military aircraft.

In 1955, the Company embarked on a substantial program for expansion of its capital facilities, including a new Developmental Center at Seattle and a new manufacturing and office facility at Renton. These two facilities are now substantially completed and the others included in the program are nearing completion. The following tabulation shows the capital expenditures for each year during the period 1948 through 1957:

| Year | Gross Additions to Plant, Property and Equipment |
|---|---|
| 1948 | $ 1,142,341 |
| 1949 | 1,413,408 |
| 1950 | 2,908,571 |
| 1951 | 5,175,449 |
| 1952 | 6,675,358 |
| 1953 | 8,009,875 |
| 1954 | 5,061,959 |
| 1955 | 7,521,100 |
| 1956 | 30,847,605 |
| 1957 | 45,043,425 |
| Total | $113,799,091 |

During the ten-year period plant, property and equipment retirements aggregated $3,354,921.

Of the total additions to plant, property and equipment made during this period, the Company obtained Certificates of Necessity pursuant to which $45,706,749 of the cost of such additions is being amortized over sixty-month periods commencing as to each project with the month following the completion date of such project.

No runways and taxiways located on airport properties are included in the first tabulation under this heading, since all such facilities are used by the Company jointly with others. The Company's right of use of such facilities on Boeing Field, Seattle, Washington, is provided under a 75-year lease from King County, Washington, dated September 14, 1955, and the Company's right of use of such facilities at Renton, Washington is provided under a 5-year lease with the City of Renton dated June 1, 1955, which contains two options in the Company to extend the term for five

years on each option. At Wichita, Kansas, the Company's right of use of such facilities on the McConnell Air Force Base originated pursuant to an agreement with the Board of Park Commissioners of the City of Wichita dated April 10, 1939, and extends for such period of time as the Company continues to own, maintain and operate a factory for the manufacture of aircraft at the present location. The McConnell Air Force Base was acquired by the Government in 1951 subject to the Company's rights under the aforesaid agreement.

The facilities contracts between the Company and the United States Government, pursuant to which the Government furnishes to the Company the Government-owned land, buildings, and machinery and equipment referred to herein, provide for the use of such facilities with the approval of the Government on work for the Government without payment of any rental or usage charge, and are subject to termination at the convenience of the Government. Contract AF33(600)-36041, pursuant to which the Government furnishes to the Company approximately 26 acres of land, office and factory buildings having approximately 540,700 square feet of floor space, and certain machinery and equipment, all located in Seattle, Washington, does not presently authorize the use of facilities furnished thereunder on work other than for the Government. The other facilities contracts authorize the use of Government facilities furnished thereunder on non-Government contract work with the approval of the Government and upon the payment of rental charges for such use.

The facilities referred to above which are furnished to the Company under Contract AF33(600)-36041 were first made available to the Company in February 1958, and are presently being rehabilitated and modernized for use in the production of Bomarc missiles. It is anticipated that such facilities will be ready for full use early in 1959.

The Government furnishes to the Company certain office space, installations and equipment at various Air Force bases, of which the most substantial amount is at Cape Canaveral and Patrick Air Force Base, Florida, for use in missile testing.

The properties of the Company are generally well maintained and in good operating condition. The Company maintains a continuous program of improvements and modernization, but it cannot estimate the extent to which new developments in aircraft and missiles may make any of its properties obsolete.

Except for current taxes, assessments, rights of way and other restrictions which do not materially interfere with the use of its plants and properties, the Company knows of no material defects in title to the properties owned by it nor of any major encumbrances thereon. However, no special examination of title to properties has been made in connection with this offering.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the Company are:

| Name | Title |
|---|---|
| William M. Allen | President and Director |
| Wellwood E. Beall | Senior Vice President and Director |
| J. B. Connelly | Vice President—General Manager, Transport Division |
| Darrah Corbet | Director |
| C. L. Egtvedt | Chairman and Director |
| D. A. Forward | Director |
| Artemus L. Gates | Director |
| C. B. Gracey | Vice President—Operations |
| Fred P. Laudan | Vice President—Manufacturing and Director |
| A. F. Logan | Vice President—Labor Relations |
| George C. Martin | Vice President—General Manager, Seattle Division |

| Name | Title |
|---|---|
| J. P. Murray | Vice President—Eastern Representative |
| Evan M. Nelsen | Treasurer |
| Paul Pigott | Director |
| J. E. Prince | Vice President—Administration and Secretary |
| William G. Reed | Director |
| J. E. Schaefer | Vice Chairman and Director |
| Dietrich Schmitz | Director |
| N. D. Showalter | Vice President—General Manager, Wichita Division |
| Clyde Skeen | Controller |
| Edward C. Wells | Vice President—General Manager, Systems Management Office, and Director |
| Lysle A. Wood | Vice President—General Manager, Pilotless Aircraft Division |
| J. O. Yeasting | Vice President—Finance and Director |

All the executive officers named in the foregoing table have been actively engaged in the business of the Company for more than the past five years. Mr. Egtvedt devotes only a portion of his time to the Company's business and receives no compensation except director's fees.

Mr. D. A. Forward is a Senior Vice President of The First National City Bank of New York. The Company maintains a line of credit with and borrows money from that bank from time to time in the ordinary course of business. At June 16, 1958, the Company's borrowings from that bank aggregated $30,355,000.

**Remuneration of Directors and Officers**

The following tabulation sets forth the aggregate remuneration paid by the Company during the year 1957 (1) to each director, and each of the three highest paid officers of the Company, whose aggregate direct remuneration exceeded $30,000 and (2) to all directors and officers of the Company as a group, and the estimated annual benefits each of such persons will be paid under the Company's Retirement Plan upon retirement at the normal retirement date and assuming no change in present rates of compensation:

| Name of Individual or Identity of Group | Capacities in which Remuneration was Received | Aggregate Direct Remuneration (1) | Estimated Annual Benefits upon Retirement |
|---|---|---|---|
| William M. Allen | President | $120,100 | $ 19,610 |
| Wellwood E. Beall | Senior Vice President | 83,660 | 25,375 |
| Fred P. Laudan | Vice President—Manufacturing | 46,520 | 11,390 |
| J. E. Schaefer | Vice Chairman (2) | 46,520 | 8,875 |
| Edward C. Wells | Vice President—Engineering | 68,645 | 22,385 |
| J. O. Yeasting | Vice President—Finance | 52,700 | 13,420 |
| Directors and Officers (including above) as a group | | 772,970 | 178,235 |

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(1) The amounts shown in the column entitled "Aggregate Direct Remuneration" include awards made under the Incentive Compensation Plan for the year 1956 which were paid in the year 1957. The provisions of the Plan are briefly outlined under "Employee Relations".

(2) Mr. Schaefer was elected Vice Chairman of the Company on May 7, 1957. Prior thereto he had been Vice President—General Manager of the Wichita Division.

The stockholders at the annual meeting on May 6, 1958, adopted a Stock Option Plan. Under the Plan an aggregate of not more than 200,000 shares of Capital Stock (subject to proportionate adjustment for future stock dividends, stock splits and other changes in Capital Stock) may be issued pursuant to options granted by a committee of directors, the members of which are ineligible to receive options, to officers and key employees of the Company at not less than 100% of the prevailing market price at the time each option is granted. Not more than 10% of the maximum number of shares that may be issued pursuant to options may be issued to any one officer or employee pursuant to options granted under the Plan, and no option may be exercised until the holder has remained in the employ of the Company for at least two years after the granting of the option. All options must be restricted stock options within the meaning of that term as used in Section 421 of the Internal Revenue Code, and no option may be granted which is exercisable more than ten years after the date it is granted. Stock issued upon the exercise of an option must be paid for in cash. No options have been granted under the Plan as of the date of this Prospectus.

**Ownership of Securities**

On June 1, 1958 the officers and directors of the Company, as a group, owned beneficially, directly or indirectly, 79,536 shares of the Company's Capital Stock or 1.13% of the Capital Stock then outstanding.

## DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are to be issued under an Indenture to be dated July 1, 1958 between the Company and The Chase Manhattan Bank, Trustee. A copy of the Indenture in the form in which it will be executed is filed as an Exhibit to the Registration Statement. References are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such reference. Wherever a defined term is indicated, the definition thereof is contained in §1.01 of the Indenture.

The principal amount of Convertible Subordinated Debentures which may be issued under the Indenture is limited to $30,597,600. Such Debentures are to be unsecured obligations of the Company, maturing July 1, 1980 and bearing interest from July 29, 1958 at the rate specified on the cover page payable semi-annually on January 1 and July 1.

Principal and interest are payable at the principal office of the Trustee in the Borough of Manhattan, The City of New York (§7.03).

**Redemption**

Optional Redemption. The Convertible Subordinated Debentures may be redeemed by lot at the option of the Company, as a whole at any time or in part from time to time (provided in either case that at the time the notice of redemption is first published it is not in default in the payment of any Senior Indebtedness), on any date prior to maturity, on not less than 30 days' nor more than 90 days' published notice, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE TWELVE MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|---|---|
| 1959 | | 1964 | | 1969 | | 1974 | |
| 1960 | | 1965 | | 1970 | | 1975 | |
| 1961 | | 1966 | | 1971 | | 1976 | |
| 1962 | | 1967 | | 1972 | | 1977 | |
| 1963 | | 1968 | | 1973 | | 1978 | |

and thereafter at 100% of the principal amount thereof, together with accrued interest to the date of redemption (§5.01(a) and §5.02).

**Sinking Fund Redemption.** The Convertible Subordinated Debentures are also redeemable by lot, on like notice, through the sinking fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, on January 1, 1968 and on each January 1 thereafter to and including January 1, 1979 (§5.01(b) and §5.02).

See "Certain Provisions of the Senior Debentures" for additional restrictions on the optional or sinking fund redemption of Convertible Subordinated Debentures.

### Sinking Fund

Prior to January 1, 1968 and prior to January 1 of each year thereafter to and including January 1, 1979 the Company will pay to the Trustee, as a mandatory sinking fund, $1,750,000 plus accrued interest on the Convertible Subordinated Debentures to be redeemed through the sinking fund. At its option the Company may make an additional sinking fund payment (provided that at the time notice thereof is first given to the Trustee the Company is not in default in the payment of any Senior Indebtedness) on or before the due date of any mandatory sinking fund payment in an amount up to but not exceeding $1,750,000. No optional sinking fund payment shall have the effect of reducing any mandatory sinking fund payment. The option to make such additional sinking fund payment is not cumulative and to the extent not exercised shall terminate (§6.01 and §6.02).

At its option the Company may make any mandatory sinking fund payment in whole or in part in cash or in Convertible Subordinated Debentures or by a credit for Convertible Subordinated Debentures previously converted or redeemed but not theretofore applied as a credit (other than those converted after being called for redemption through the sinking fund) (§6.04).

### Subordination

The payment of the principal of and premium, if any, and interest on the Convertible Subordinated Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, but this will not affect the obligation of the Company (except during default in the payment of any Senior Indebtedness) to make payments of principal, premium, if any, or interest on such Debentures. Upon the payment in full of all Senior Indebtedness, the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments applicable to Senior Indebtedness upon any dissolution, total liquidation or reorganization of the Company, whether in insolvency proceedings or otherwise, until the principal of and premium, if any, and interest on such Debentures shall have been paid in full (§3.02 and §3.03).

Senior Indebtedness is defined as all indebtedness (other than the Convertible Subordinated Debentures) incurred, assumed or guaranteed by the Company which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to such Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness (§1.01). The Senior Debentures are Senior Indebtedness within the meaning of this definition.

By reason of such subordination, in event of insolvency, creditors of the Company, other than holders of Senior Indebtedness and holders of Convertible Subordinated Debentures, may recover less, ratably, than holders of Senior Indebtedness, but more, ratably, than holders of such Debentures upon any such distribution of assets.

### Conversion Rights

The holder of any Convertible Subordinated Debenture has the right, at his option, at any time on or before July 1, 1980 (except that in case such Debenture shall be called for

redemption, such right shall terminate at the close of business on the tenth day prior to the date fixed for redemption) to convert such Debenture or any part of the principal amount thereof which is $100 or a multiple of $100 into shares of Capital Stock of the Company (as defined) at the conversion rate set forth on the cover page hereof (subject to adjustment) (§4.01, §4.04 and §4.05).

The Indenture contains provisions to protect the conversion rate against dilution by making appropriate adjustments therein upon the occurrence of certain events, including, among other things, the issuance of Capital Stock or securities convertible into Capital Stock and a reclassification or change of the Capital Stock. Any such adjustment will be based upon the consideration received for such Capital Stock or upon the conversion rate for such convertible securities. However, in making such adjustments, stock dividends of not more than 4% in any one year and not more than 12% in the aggregate shall be treated as though issued for a consideration equal to the market price of the Capital Stock on the date of declaration of such dividends to the extent such stock dividends have been "earned" within the meaning of the Indenture. Adjustments are cumulative but are required to be made only if the resulting change in the conversion rate is not less than 1/20th of a share of Capital Stock and need be made only to the largest possible multiple of 1/20th of a share. No adjustment is required to be made upon the issuance of up to 350,000 shares of Capital Stock appropriately adjusted for stock dividends, stock splits and stock consolidations, pursuant to the Company's Stock Option Plan or Incentive Compensation Plan (§1.01 and §4.05).

Upon conversion of any Convertible Subordinated Debenture, an appropriate cash payment will be made in lieu of issuing fractional shares of Capital Stock, but no adjustment will be made for interest accrued on any such Debenture or for dividends on any Capital Stock issued on conversion (§4.02 and §4.03).

Debentures may be presented for conversion at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

**Restriction on Additional Funded Indebtedness**

The Company will not, nor will it permit any Subsidiary to, create, guarantee or assume any Funded Indebtedness (other than the Convertible Subordinated Debentures) unless immediately thereafter Consolidated Net Tangible Assets shall be at least 225% of Consolidated Funded Indebtedness (§7.08).

Funded Indebtedness is defined as debt of the Company or any Subsidiary which matures more than one year after the date such Funded Indebtedness is determined, but there is excluded from such definition, among other things, (a) debt secured by certain permitted encumbrances including purchase money mortgages or other liens created simultaneously with the acquisition or construction of property and encumbrances existing on any property at the time of acquisition, (b) debt secured by any encumbrance hereafter created on any unimproved property now owned by the Company, (c) debt secured by certain permitted encumbrances, including liens created under Regulation V of the Federal Reserve System or, under specified conditions, in connection with war or defense production, (d) debt, whether secured or unsecured, identified with government contracts for production, research or development, (e) debt incurred for the purpose of enabling the Company or a Subsidiary to hold or finance customers' paper arising out of the sale of products or merchandise and (f) debt hereafter incurred which is expressly subordinated to the Convertible Subordinated Debentures (§1.01).

Consolidated Net Tangible Assets is defined as the total assets of the Company and its Subsidiaries less current liabilities, amortization and depreciation reserves and other asset valuation reserves, treasury stock, intangible assets, write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost, and adjustments for minority interests, if any, in Subsidiaries (§1.01).

Subsidiary is defined as any corporation of which the Company or one or more of its other Subsidiaries owns more than 50% of the voting securities and whose accounts are customarily consolidated with those of the Company, but does not include a corporation substantially all of whose physical properties are outside the United States and Canada or which has been organized for the purpose of financing the sale or lease of aircraft or as a Western Hemisphere Trade Corporation (§1.01). The Indenture contains certain other restrictions relating to Subsidiaries, although the Company at present has no subsidiaries.

### Restriction on Dividends, Distributions and Certain Acquisitions

The Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares) or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings (as defined) subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness which has been converted into stock after such date), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan (§7.12).

See "Certain Provisions of the Senior Debentures" for further restrictions on dividends, distributions, purchases and redemptions.

### Concerning the Trustee

The Indenture provides that the Trustee, except during the existence of an Event of Default, shall undertake to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default the Trustee may exercise the rights and powers vested in it by the Indenture and shall use the same degree of care as a prudent man would exercise under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the powers vested in it unless offered reasonable indemnity by the Debentureholders (§10.01 and §10.02).

The holders of a majority of the aggregate principal amount of the Convertible Subordinated Debentures outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or to exercise any trust or power conferred on the Trustee (§9.09).

### Events of Default and Notice Thereof

The Indenture defines as an "Event of Default": 30 days' default in payment of interest; default in payment of principal or premium, if any; 30 days' default in payment of any sinking fund obligation; 90 days' default, after notice from the Trustee or the holders of at least 25% in principal amount of outstanding Convertible Subordinated Debentures, in performance of any other covenant; and certain events in bankruptcy, insolvency, or reorganization proceedings (§9.01).

The Indenture provides that the Trustee shall, within 90 days (exclusive of the periods of grace, if any, stated above) after the happening thereof, give due notice to the Debentureholders of any occurrence of any uncured Event of Default known to it. However, unless such default be the failure to pay the principal of or premium, if any, or interest on any of the Convertible Subordinated Debentures, or to pay a sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice

is in the interests of the Debentureholders (§9.10). On or before April 15 in each year the Company must file with the Trustee an Officers' Certificate (as defined) with respect to the existence or absence of any default by the Company in the performance or fulfillment of certain covenants contained in the Indenture (§7.15). The Indenture does not require the furnishing of any periodic evidence to the Debentureholders as to the absence of default or as to compliance with the terms of the Indenture.

The Trustee or the holders of 25% of the Convertible Subordinated Debentures may declare the principal of any such Debentures due upon the happening of an Event of Default but the holders of a majority of such Debentures may waive any such default and rescind such declaration if the default is cured (§9.01). Debentureholders may not institute any proceedings to enforce the Indenture unless the Trustee refuses to act after request from the holders of 25% of such Debentures and a tender to the Trustee of reasonable indemnity, but any Debentureholder may enforce payment of principal of, premium, if any, and interest on his own Debenture when due (§9.06 and §9.07).

### Modification of the Indenture

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Convertible Subordinated Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing any of the provisions of the Indenture or modifying the rights of the holders of such Debentures or coupons; provided that no such supplemental indenture shall (a) extend the fixed maturity of any Convertible Subordinated Debentures, reduce the principal amount thereof, reduce any premium payable upon the redemption thereof, reduce the rate or extend the time of payment of interest thereon, or impair the right to convert such Debentures without the consent of the holder of each Convertible Subordinated Debenture so affected, or (b) reduce the aforesaid percentage of Debentureholders required to consent to any such supplemental indenture, without the consent of the holders of all such Debentures then outstanding (§13.02).

In addition, the Indenture provides that the Company and the Trustee may execute supplemental indentures without the consent of the Debentureholders in order to provide security for the Convertible Subordinated Debentures, or to add additional covenants, restrictions, conditions or provisions for the protection of Debentureholders, or to clarify ambiguous provisions in the Indenture, or to make such other provisions as the Company may deem desirable which shall not be inconsistent with the provisions of the Indenture or of any supplemental indenture and which shall not adversely affect the interests of Debentureholders (§13.01).

## CERTAIN PROVISIONS OF THE SENIOR DEBENTURES

As previously mentioned under the heading "Sale of Senior Debentures" in this Prospectus, the Company has authorized the issue of $60,000,000 principal amount of Sinking Fund Debentures, due August 1, 1978. These Senior Debentures are to be issued under an Indenture dated August 1, 1958 between the Company and City Bank Farmers Trust Company, Trustee. A copy of such Indenture in the form in which it is to be executed is an Exhibit to the Registration Statement. A separate Prospectus summarizes the provisions of such Indenture and the rights of holders of the Senior Debentures.

The Indenture under which the Senior Debentures are to be issued provides that the Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares), or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class or any subordinated

indebtedness, including the Convertible Subordinated Debentures, if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness other than the Convertible Subordinated Debentures which has been converted into such stock), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan. This restriction will not prevent, among other things, the making of any sinking fund or similar payment required to be made by the terms of any subordinated indebtedness, including the Convertible Subordinated Debentures.

The Senior Debentures may be redeemed at the option of the Company in whole or in part at any time at specified redemption premiums. In addition, the Senior Debentures are entitled to the benefits of a sinking fund requiring the annual retirement, beginning in 1964, of $4,000,000 principal amount of Senior Debentures and, at the option of the Company, not more than an additional $4,000,000 principal amount annually.

## DESCRIPTION OF CAPITAL STOCK

The total authorized shares of Capital Stock of the Company is 10,000,000 of the par value of $5 each.

Subject to the restrictions on dividends set forth above under "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures", holders of the Capital Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. The amount of retained earnings at December 31, 1957 which will be available for payment of dividends under the foregoing restrictions was $10,000,000.

Stockholders are entitled to one vote for each share and to vote cumulatively for directors. Upon liquidation stockholders are entitled to share ratably in the assets available for distribution. The Capital Stock has such preemptive or subscription rights as are accorded by the common law of Delaware except that under its Certificate of Incorporation the Company may issue and sell to officers and employees, free of preemptive rights, up to 200,000 shares plus additional amounts determined on the basis of stock dividends after April 24, 1956, applied to the then unissued balance of such shares. After giving effect to the declaration of stock dividends subsequent to such date and to the issuance of 103,312 shares of Capital Stock in payment of awards under the Company's Incentive Compensation Plan, the number of shares of Capital Stock presently available for issuance to officers and employees of the Company under the Certificate of Incorporation free from preemptive rights is 274,513.

The shares issued upon conversion of the Convertible Subordinated Debentures in accordance with their terms will be fully paid and non-assessable.

## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below have severally agreed to purchase from the Company, and the Company has agreed to sell to them severally, at the Subscription Price set forth on the cover of this Prospectus, plus accrued interest from the date of the expiration of the Subscription Offer, the respective percentages set forth below of such of the Convertible Subordinated Debentures as shall not be subscribed for through the exercise of Rights (the Unsubscribed Debentures).

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Harriman Ripley & Co., Incorporated.......... | 63 Wall Street, New York 5, N. Y. | % |
| Blyth & Co., Inc.......................................... | 14 Wall Street, New York 5, N. Y. | |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|

| **Name** | **Address** | **Percentage of Unsubscribed Debentures** |
|---|---|---|
| | Total | % |

In the Underwriting Agreement, the Company agrees to pay the Underwriters an amount equal to

The Underwriting Agreement provides that the several obligations of the Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The Underwriting Agreement may be terminated by the Underwriters if at any time prior to the delivery of the Unsubscribed Debentures trading in securities on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established.

In connection with the sale of Convertible Subordinated Debentures by Underwriters, concessions may be allowed to certain dealers, including Underwriters, of not in excess of ______%, and reallowances may be allowed to other dealers of not in excess of ______%.

## LEGAL OPINIONS

Legal matters in connection with the issuance of the Senior Debentures, the Convertible Subordinated Debentures and the Capital Stock issuable upon conversion of the Convertible Subordinated Debentures will be passed upon by Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, for the Company, and by Davis Polk Wardwell Sunderland & Kiendl, 15 Broad Street, New York 5, New York, for the Underwriters.

## EXPERTS

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in this Prospectus and in the Preliminary Summary Prospectus under the heading "Summary of Net Earnings and Retained Earnings" insofar as they relate to the years 1948 through 1957 have been reviewed by Touche, Niven, Bailey & Smart, independent certified public accountants, and have been included herein and in the Preliminary Summary Prospectus and in the Registration Statement in reliance upon the opinions of said firm set forth in its reports contained in this Prospectus and in the Registration Statement and upon the authority of said firm as experts in auditing and accounting.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Preliminary Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
June 23, 1958

# BOEING AIRPLANE COMPANY

## BALANCE SHEET

## December 31, 1957

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | | $ 45,147,394 |
| Trade accounts receivable— | | |
| United States | $ 17,370,107 | |
| Other | 3,682,047 | 21,052,154 |
| Other accounts receivable | | 279,786 |
| Estimated balances receivable from the United States— | | |
| For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees | $113,056,099 | |
| For deliveries under contracts for which unit prices have not been established or revised | 51,258,608 | 164,314,707 |
| Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries (Note D) | $654,218,996 | |
| Less advances and progress payments received and accrued | 492,629,759 | 161,589,237 |
| Inventories of parts and materials at the lower of average cost or market | | 14,482,918 |
| Prepaid expenses | | 2,259,755 |
| Total Current Assets | | $409,125,951 |
| **Property, Plant, and Equipment, at cost (Note B):** | | |
| Land ($3,689,331) and buildings | $ 82,662,987 | |
| Machinery, tools, and equipment | 46,150,175 | |
| | $128,813,162 | |
| Less allowance for accumulated depreciation and amortization | 46,910,402 | 81,902,760 |
| | | $491,028,711 |

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Notes payable to banks | | $110,000,000 |
| Accounts payable— | | |
| Trade accounts | $109,750,621 | |
| Other | 541,780 | 110,292,401 |
| Salaries and wages | | 40,797,421 |
| Payroll, property, and excise taxes | | 5,562,012 |
| Incentive compensation for officers and employees | | 3,995,000 |
| Payable to Trustee under retirement plan (Note C) | | 3,702,162 |
| Allowance for 1954 renegotiation, net of taxes (Note A) | | 4,637,956 |
| Federal and state taxes on income | | 33,140,811 |
| Total Current Liabilities | | $312,127,763 |
| **Stockholders' Investment:** | | |
| Capital stock, par value $5 a share— | | |
| Authorized—10,000,000 shares | | |
| Issued and outstanding—6,953,583 shares at stated value (Note E) | $ 94,834,035 | |
| Retained earnings (after transfer to the capital stock account of $78,640,468) (Notes A and F) | 84,066,913 | 178,900,948 |
| **Contingent Liabilities (Notes A and C)** | | |
| | | $491,028,711 |

See notes to financial statements.

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# BOEING AIRPLANE COMPANY

## STATEMENT OF NET EARNINGS

| | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Sales (Notes A and D) | $853,827,722 | $1,006,356,748 | $1,596,508,515 |
| Other income | 776,542 | 1,168,142 | 762,052 |
| | $854,604,264 | $1,007,524,890 | $1,597,270,567 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the year (Note D) | $764,603,371 | $ 905,184,904 | $1,466,056,710 |
| Research and developmental expenses | 8,411,913 | 12,458,306 | 19,646,115 |
| General and administrative expenses | 9,408,434 | 9,855,834 | 13,016,688 |
| Depreciation and amortization (Note B) | 4,925,358 | 6,237,686 | 12,422,205 |
| Incentive compensation for officers and employees | 3,250,000 | 3,866,000 | 3,995,000 |
| Other expenses | 1,292,754 | 2,215,562 | 2,468,743 |
| Interest expense | 71,023 | 571,609 | 2,005,399 |
| | $791,962,853 | $ 940,389,901 | $1,519,610,860 |
| **Earnings Before Taxes on Income (Note A)** | $ 62,641,411 | $ 67,134,989 | $ 77,659,707 |
| Federal and state taxes on income: | | | |
| Federal normal income tax and surtax | $ 31,950,000 | $ 34,750,000 | $ 39,090,000 |
| State income taxes | 300,000 | 250,000 | 410,000 |
| | $ 32,250,000 | $ 35,000,000 | $ 39,500,000 |
| **Net Earnings (Note A)** | $ 30,391,411 | $ 32,134,989 | $ 38,159,707 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Balance at January 1 (Note A) | $ 40,998,806 | $ 60,810,877 | $ 61,547,911 |
| Net earnings for the year (Note A) | 30,391,411 | 32,134,989 | 38,159,707 |
| | $ 71,390,217 | $ 92,945,866 | $ 99,707,618 |
| Cash dividends paid | $ 10,579,340 | $ 8,162,577 | $ 6,681,281 |
| Amount transferred to the capital stock account by the Board of Directors: | | | |
| Two-for-one stock split | — | 16,339,924 | — |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | — | 6,895,454 | 8,959,424 |
| | $ 10,579,340 | $ 31,397,955 | $ 15,640,705 |
| Balance at December 31 (Notes A and F) | $ 60,810,877 | $ 61,547,911 | $ 84,066,913 |

**See notes to financial statements.**

## NOTES TO FINANCIAL STATEMENTS

**Note A—Renegotiation:**

See Note 1 to "Summary of Net Earnings and Retained Earnings".

**Note B—Property, Plant, and Equipment:**

Included in property, plant, and equipment at December 31, 1957 are fully amortized facilities and fully depreciated assets in the amount of $17,484,695, which facilities were largely in use.

Depreciation is computed on cost. The "straight-line" method is used for all assets acquired prior to January 1, 1954. Substantially all assets acquired subsequent to that date are depreciated under the "sum-of-the-years-digits" method. The rates employed are such as will accumulate depreciation equal to cost over the estimated useful lives of the assets. The asset lives used for depreciation computations are as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and building equipment | 10 to 40 years |
| Factory machinery | 9 to 15 years |
| Shop equipment and tools | 3⅓ to 8 years |
| Other equipment | 1½ to 12½ years |

Amortization of leasehold improvements is based on the shorter of the physical life of the improvements or the period of the lease.

The Company has obtained Certificates of Necessity from the United States Government covering certain facilities acquired during the present emergency period. The certified portion of such facilities is being amortized over sixty-month periods for both accounting and tax purposes.

Maintenance and repairs are charged directly to costs or expenses as incurred. Equipment of only nominal value and renewals and betterments that do not appreciably extend the life of the asset are charged directly to costs or expenses.

Fully depreciated or fully amortized assets which are no longer on hand or are not identifiable are written off by charges to the allowance for accumulated depreciation and amortization. Amounts received on the disposal of fully depreciated or fully amortized assets are taken into income and the costs of such assets and related allowances for accumulated depreciation and amortization are removed from the accounts. When assets which are not fully depreciated are retired or disposed of, the costs of such assets are removed from the accounts and the related allowances for accumulated depreciation are adjusted for the difference between the asset balance and the amount received or salvage value, no profit or loss being recorded. When facilities acquired during the present emergency period with respect to which Certificates of Necessity have been obtained are retired or disposed of, the costs of such facilities and the related accumulated depreciation and amortization are removed from the accounts and the resulting profit or loss is included in the statement of net earnings.

**Note C—Retirement Plan:**

Effective as of January 1, 1955 the Company adopted a non-contributory retirement plan covering all employees who have met the eligibility requirements. The plan is administered by a Retirement Committee appointed by the Board of Directors. Contributions are made by the Company to trustees who shall hold, invest, and distribute the assets of the trust as required by the plan.

The plan provides for normal retirement at age 65 with provision for retirement either earlier or later than normal. Benefits at normal retirement are based on credited service rendered after the attainment of age 30 and completion of three years of service. Basic benefits are based on credited service. Supplemental benefits are related to the monthly earnings of the employee. A portion of the supplemental benefits of the plan will be variable and related to the earnings of the applicable fund and the mortality experience of the group eligible to receive supplemental benefits. The maximum annual pension under the plan is $30,000.

The following charges were made in the accounts to record Company contributions for the three years ended December 31, 1957:

| | Current Service | Past Service | Total |
|---|---|---|---|
| Year ended December 31, 1955 | $ 6,703,518 | $1,635,487 | $ 8,339,005 |
| Year ended December 31, 1956 | 8,377,844 | 1,635,487 | 10,013,331 |
| Year ended December 31, 1957 | 10,066,505 | 1,635,487 | 11,701,992 |

The Company intends to make contributions to the trust for past service costs and interest on the unfunded balances over a period of approximately twelve years commencing with the year 1955. At December 31, 1957 the past service liability not recognized in the accounts was estimated at $12,800,000.

**Note D—Inventories:**

Accumulated charges at December 31, 1957 included amounts relating to items to which the United States Government held title by reason of contract provisions.

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Inventories and accumulated charges on fixed-price type contracts used in the computation of cost of sales shown on the statement of net earnings are as follows:

| | |
|---|---|
| January 1, 1955 | $350,897,520 |
| December 31, 1955 | 531,275,580 |
| December 31, 1956 | 663,278,820 |
| December 31, 1957 | 668,701,914 |

Sales are recorded under all fixed-price type contracts at the time completed units are delivered. In determining the amounts at which sales under contracts containing price revision provisions are recorded, consideration is given to the estimated adjustments, if any, that may result at the time final contract prices are negotiated. Under cost-plus-a-fixed-fee and incentive-fee contracts, sales include costs considered reimbursable together with applicable fees.

Cost of sales under all fixed-price type contracts is computed on the basis of the estimated cost (average total contract basis) of deliveries, such estimates being revised periodically so that they approach actual average costs as the contracts progress to completion. Under cost-plus-a-fixed-fee and incentive-fee contracts, cost of sales includes applicable expenditures made or accrued.

**Note E—Capital Stock Account and Stock Option Plan:**

Changes in the capital stock account during the three years ended December 31, 1957 were as follows:

| | Shares | Amount |
|---|---|---|
| Balance at January 1, 1955 | 3,246,436¾ | $60,000,000 |
| Shares issued to officers and employees at market value under the Incentive Compensation Plan— | | |
| 1955 | 11,689 | 968,732 |
| 1956 | 9,859 | 739,425 |
| 1957 | 19,448 | 931,076 |
| Shares issued in 1956 to effect a two-for-one stock split and amount transferred to the capital stock account by the Board of Directors | 3,267,984¾ | 16,[illegible]9,924 |
| Shares issued as stock dividends and amounts transferred to the capital stock account by the Board of Directors, equal to the market value on declaration dates adjusted for the stock dividend— | | |
| 1956 | 130,720 | 6,095,454 |
| 1957 | 267,445½ | 8,959,424 |
| Balance at December 31, 1957 | 6,953,583 | $94,834,035 |

Stockholders adopted a Stock Option Plan May 6, 1958. For information regarding this Plan reference is made to the heading "Remuneration of Directors and Officers" in this Prospectus.

**Note F—Dividend Restrictions:**

For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

**Note G—Supplementary Profit and Loss Information:**

The amounts of certain expenses incurred during the three years ended December 31, 1957 are tabulated below. All items included in this tabulation were either included in overhead expenses, substantially all of which were distributed to contracts, or were charged to contracts directly except that a portion of amortization in excess of normal depreciation was charged directly to income as follows: 1955, $1,037,691; 1956, $1,176,667; 1957, $1,686,352.

| | Year ended December 31, | | |
|---|---|---|---|
| Item | 1955 | 1956 | 1957 |
| Maintenance and repairs | $19,460,361 | $20,917,108 | $20,551,774 |
| Depreciation and amortization of property, plant, and equipment | 4,925,358 | 6,237,686 | 12,422,205 |
| Taxes, other than income taxes: | | | |
| Payroll taxes | 9,739,011 | 11,445,524 | 16,369,938 |
| Sales and business taxes | 2,218,726 | 3,407,296 | 5,138,519 |
| Real estate and personal property taxes | 1,155,638 | 1,150,242 | 1,863,657 |
| State franchise and miscellaneous taxes | 16,759 | 28,760 | 25,971 |
| Rents: | | | |
| Equipment (principally data-processing machines) | 1,405,066 | 1,999,288 | 5,514,119 |
| Ground, buildings, and miscellaneous | 1,254,999 | 1,534,992 | 2,238,928 |
| Royalties | 77,857 | 45,798 | 136,771 |

There are no material amounts to which the Company is committed under leases having terms in excess of three years.

# PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 22.** ***Marketing Arrangements.***

Reference is made to:

(a) the fourth paragraph of Section 5,

(b) Section 2 and the first paragraph of Section 5, and

(c) the third paragraph of Section 5 of the Agreement Among Underwriters included in Exhibit 1.

**Item 23.** ***Other Expenses of Issuance and Distribution.***

| | |
|---|---|
| Securities and Exchange Commission registration fee | $ 3,365.74 |
| New York Stock Exchange listing fees and expenses | — |
| Blue Sky expenses | — |
| Federal original issue taxes | 33,657.36 |
| Printing and engraving | — |
| Fees and expenses of Subscription Agent | 91,000.00 |
| Trustee's initial fees and expenses | — |
| Attorneys' fees | — |
| Accounting fees | — |
| Miscellaneous | — |
| Total | $ — |

All of the above except the Securities and Exchange Commission registration fee and Federal original issue taxes are estimated.

**Item 24.** ***Relationship with Registrant of Experts Named in Registration Statement.***

None.

**Item 25.** ***Sales to Special Parties.***

None.

**Item 26.** ***Recent Sales of Unregistered Securities.***

In accordance with the provisions of the Incentive Compensation Plan for Officers and Employees of the Company, a copy of which is filed as Exhibit 13(a), awards made under the plan are paid partially in cash and partially in Capital Stock of the Company. The distribution dates, the market value per share and the aggregate amount of the market value for all of the shares of Capital Stock issued in payment of awards under the plan during the last three years, without adjustment in any case for a two-for-one stock split effected in July 1956 and stock dividends declared subsequent to the distribution date, are as follows:

| Distribution Date | No. of Shares | Market Value per Share | Aggregate Market Value |
|---|---|---|---|
| March 5, 1956 | 9,859 | $75.00 | $ 739,425 |
| March 4, 1957 | 19,448 | 47.875 | 931,076 |
| March 3, 1958 | 83,864 | 36.375 | 3,050,553 |

No underwriters were used in connection with the issuance of Capital Stock under the Plan. No registration statement was filed under the Securities Act of 1933 in connection with the issuance of Capital Stock under the Plan, for the reason that the issuance of such stock did not constitute a sale or an offer to sell for value within the meaning of Section 2(3) of such Act.

**Item 27.** ***Subsidiaries of Registrant.***

None.

**Item 28.** ***Franchises and Concessions.***

None.

**Item 29.** ***Indemnification of Directors and Officers.***

Article VII, Section 5, of the By-Laws provides as follows:

> "The Company shall indemnify each present and future director or officer of the Company and each present and future director or officer of any wholly owned subsidiary of the Company

> against all liabilities, costs and expenses which may be imposed on or reasonably incurred by him, including the amount of reasonable settlements, in connection with any claim, action, suit or proceeding hereafter made or instituted in which he may be involved or be made a party by reason of his being or having been a director or officer of the Company or any wholly owned subsidiary of the Company, or by reason of any action alleged to have been taken or omitted by him in any such capacity, except in cases wherein he shall be finally adjudged derelict in the performance of his duties as such director or officer.
>
> "The right of indemnification in this section provided shall inure to each such director or officer whether or not he is a director or officer at the time such liabilities, costs or expenses are imposed or incurred and whether or not the claim asserted against him is based on matters which antedate the adoption of this section; and in the event of his death shall extend to his legal representatives. Each person who shall act as a director or officer of the Company or of any wholly owned subsidiary of the Company shall be deemed to be doing so in reliance upon such right of indemnification; and such rights shall not be exclusive of any other right which he may have.
>
> "None of the provisions of this section shall be construed as a limitation upon the right of the Company to exercise its general power to enter into a contract or undertaking of indemnity with a director or officer in any other proper case not provided for herein."

The laws of Delaware (Section 122 of Title 8 of the Delaware Code of 1953) also provide for the indemnification of directors and officers under certain conditions. Insofar as the foregoing provision of the By-Laws and the laws of Delaware may permit indemnification by the Company of its officers and directors for liabilities arising under the Securities Act of 1933, as amended, the Company understands that it is the opinion of the Securities and Exchange Commission that such indemnification is against public policy as expressed in said act, and therefore is unenforceable. In the event a claim for such indemnification (except insofar as it provides for the payment by the Company of expenses incurred or paid by a director or officer in the successful defense of any action, suit or proceeding) is asserted against the Company by a director or officer, under such By-Law provision or otherwise, with respect to the securities being registered and the Securities and Exchange Commission is still of the same opinion, the Company will, unless in the opinion of counsel for the Company the question has already been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification, under such By-Law provision or otherwise, by it is against public policy, as expressed in said Act, and will be governed by the final adjudication of such issue.

### Item 30. *Treatment of Proceeds from Stock being Registered.*

Under Section 154 of the Delaware Corporation Code, upon the exercise by the holder of any Convertible Subordinated Debentures of the right to convert such Debentures into Capital Stock and the issuance of such Capital Stock, the Board of Directors of the Company may determine that the full amount of the consideration received be credited to the capital stock account or that only a portion of such consideration but not less than the par value of such Capital Stock be credited to the capital stock account and that the balance be credited to a paid-in or capital surplus account. No such determination has been made as of the date of this Registration Statement.

### Item 31(a). *Financial Statements.*

**The following financial statements and schedules of Boeing Airplane Company are submitted herewith:**

Included in Prospectus:

| | Page |
|---|---|
| Report of independent certified public accountants | 27 |
| Summary of Net Earnings and Retained Earnings | 6-7 |
| Balance sheet—December 31, 1957 | 28 |
| Statement of net earnings—Three years ended December 31, 1957 | 29 |
| Statement of retained earnings—Three years ended December 31, 1957 | 29 |
| Notes to financial statements | 30-31 |
| Schedule XVI—Supplementary profit and loss information (Note G to financial statements) | 31 |

Schedules V, VI, and XIII for the years ended December 31, 1955, 1956, and 1957 are incorporated herein by reference to schedules in annual reports on Form 10-K which were filed with the Securities and Exchange Commission for the respective years.

The following schedules for which provision is made in Regulation S-X are not required under the instructions contained therein or are inapplicable and have been omitted:

**Schedules I, II, III, IV, VII, VIII, IX, X, XI, XII, XIV, XV, and XVII.**

**Item 31(b).** ***Exhibits:***

| | |
|---|---|
| 1 | Underwriting agreements. |
| 2 | Not applicable. |
| 3(a) | Composite Certificate of Incorporation as amended to the date hereof. |
| 3(b) | Copy of By-Laws as amended to the date hereof. |
| 4(a) | Specimen Convertible Subordinated Debenture—included in Exhibit 4(b). |
| 4(b) | Trust Indenture for Convertible Subordinated Debentures. |
| 4(c) | Trust Indenture for Senior Debentures incorporated by reference to Exhibit 4(b) of Registration Statement of the Company on Form S-1 filed contemporaneously herewith. |
| 4(d) | Specimen Capital Stock Certificates. |
| 5 | Stock Option Plan. |
| 6 | Form of opinion of Holman, Mickelwait, Marion, Black & Perkins, counsel of the Company. |
| 7 | None. |
| 8 | None. |
| 9 | None. |
| 10 | None. |
| 11(a) | Booklet containing Retirement Plan of Boeing Airplane Company and Trust Indenture relating thereto. |
| 11(b) | Booklet relating to Retirement Plan. |
| 12 | Copy of Section 5 of Article VII of the By-Laws of the Company—included in Exhibit 3(b) above. |
| 13(a) | Copy of Incentive Compensation Plan for Officers and Employees of Boeing Airplane Company, as amended to the date hereof. |
| 13(b) | Contract No. W33-038 ac-22291 dated June 23, 1950 between the Company and the United States relating to the use of facilities located principally in Seattle, Washington, and amendments 1 through 28 thereto. |
| 13(c) | Contract No. W33-038 ac-21378 dated November 19, 1948 between the Company and the United States relating to the use of facilities located principally in Wichita, Kansas, and amendments 1 through 31 thereto. |
| 13(d) | Contract No. AF33(600)-26785 dated June 1, 1954 between the Company and the United States relating to the use of facilities located principally at Larson Air Force Base, Moses Lake, Washington, and amendments 1 through 8 thereto. |
| 13(e) | Contract No. AF33(600)-36041 dated September 11, 1957 between the Company and the United States relating to the use of facilities located principally in Seattle, Washington. |
| 13(f) | Lease between the Company and King County, Washington dated September 14, 1955 relating to premises located on Boeing Field, Seattle, Washington, and amendment thereto. |
| 13(g) | Lease between the Company and the City of Renton, Washington dated June 1, 1955 relating to premises located on the Renton Municipal Airport, and amendments 1 through 4 thereto. |
| 13(h) | Contract between the Company and Board of Park Commissioners of the City of Wichita, Kansas dated April 10, 1939 and related documents relating to the use by the Company of runways, taxiways, and other airport properties. |
| 13(i) | Copy of letter to the Company dated June 16, 1958 from the Department of the Air Force concerning the classification of certain contracts. |
| 13(j) | Copy of letter to the Company dated June 16, 1958 from the Department of the Air Force concerning the classification of certain contracts. |
| 14 | Preliminary Summary Prospectus. |

**Item 31(c).** ***Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Chase Manhattan Bank on Form T-1.***

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## UNDERTAKING TO SUPPLEMENT PROSPECTUS OR FILE POST-EFFECTIVE AMENDMENT

The undersigned registrant hereby undertakes to supplement the Prospectus, after the expiration of the subscription period, to set forth the results of the Subscription Offer, the transactions by the Underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the Underwriters and the terms of any subsequent reoffering thereof. If any public offering by the Underwriters is to be made on terms differing from those set forth on the cover page of the Prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

## UNDERTAKING TO FILE REPORTS

Subject to the terms and conditions of Section 15(d) of the Securities Exchange Act of 1934, the undersigned registrant hereby undertakes to file with the Securities and Exchange Commission such supplementary and periodic information, documents and reports as may be prescribed by any rule or regulation of the Commission heretofore or hereafter duly adopted pursuant to authority conferred in that section.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle and State of Washington, on the 23rd day of June, 1958.

BOEING AIRPLANE COMPANY

William M. Allen
William M. Allen, President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| William M. Allen<br>(William M. Allen) | President and Director | June 23, 1958 |
| J. O. Yeasting<br>(J. O. Yeasting) | Vice President—Finance and Director | |
| Clyde Skeen<br>(Clyde Skeen) | Controller | |
| Wellwood E. Beall<br>(Wellwood E. Beall) | Director | |
| Darrah Corbet<br>(Darrah Corbet) | Director | |
| C. L. Egtvedt<br>(C. L. Egtvedt) | Director | |
| (D. A. Forward) | Director | |
| (Artemus L. Gates) | Director | |
| Fred P. Laudan<br>(Fred P. Laudan) | Director | |
| Paul Pigott<br>(Paul Pigott) | Director | |
| W. G. Reed<br>(William G. Reed) | Director | |
| (J. E. Schaefer) | Director | |
| Dietrich Schmitz<br>(Dietrich Schmitz) | Director | |
| Edward C. Wells<br>(Edward C. Wells) | Director | |

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# ACCOUNTANTS' CONSENT AND REPORT AS TO SCHEDULES

We hereby consent to the use, in this Registration Statement and Prospectus of Boeing Airplane Company, of our report dated June 23, 1958, accompanying the financial statements contained in such Registration Statement, to the use of our report contained in the following paragraph, and to the use of our name, and the statements with respect to us, as appearing under the headings "Summary of Net Earnings and Retained Earnings" and "Experts" in the Prospectus and the Preliminary Summary Prospectus.

In the course of our examination of the financial statements referred to in our report we also examined the indicated schedules listed under Item 31(a) of the Registration Statement. In our opinion, such schedules present fairly the information therein set forth.

Touche, Niven, Bailey & Smart

Seattle, Washington
June 23, 1958

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A-17645 ✓

DEPARTMENT OF STOCK LIST
NEW YORK STOCK EXCHANGE

# BOEING AIRPLANE COMPANY

## 4½% CONVERTIBLE SUBORDINATED DEBENTURES, due July 1, 1980

## CAPITAL STOCK
Par Value $5 per Share

Seattle, Washington, June 26, 1958

**Boeing Airplane Company**, a Delaware corporation, herein called the "Company", hereby makes application to list on the New York Stock Exchange:

**$30,597,600** principal amount of 4½% Convertible Subordinated Debentures, due July 1, 1980 (hereinafter called the Debentures), upon official notice of issuance, sale and evidence of satisfactory distribution pursuant to an underwritten offering made to the holders of Capital Stock; and

**611,952** additional shares of its Capital Stock of the par value of $5 per share, upon the exercise of conversion rights by the holders of Debentures and official notice of issuance,

making the total number of shares herein and hereinbefore applied for 7,724,540.

Reference is made to the previous listing applications of the Company, the most recent being A-17292, dated November 5, 1957, and to the Company's Prospectus, dated July 15, 1958, which is incorporated herein and to which reference is made for additional information required in connection with this Application.

## AUTHORITY FOR AND PURPOSE OF ISSUANCE

The Board of Directors of the Company at meetings held on June 23 and July 14, 1958, authorized the issuance and sale of $30,597,600 of the Company's 4½% Convertible Subordinated Debentures, due July 1, 1980, and authorized reservation of 611,952 shares of Capital Stock for issuance upon conversion of said 4½% Convertible Subordinated Debentures upon the terms and conditions and for the purposes set forth in the attached Prospectus.

Upon conversion of any of such Debentures, an amount equal to the par value of the Capital Stock issued will be credited to the Capital Stock account and the difference between the principal amounts of the Debentures converted and the amounts so credited, less any cash adjustments for fractions, will be credited either to the Capital Stock account or to a paid-in or capital surplus account, as then determined by the Board of Directors of the Company.

## OPINION OF COUNSEL

The opinion of Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, general counsel of the Company, which will be filed in support of this Application, will state:

(a) that the Debentures have been duly and validly authorized, and when issued by the Company as proposed will constitute valid and binding obligations of the Company in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights.

(b) that the shares of Capital Stock, application for the listing of which is hereby made, have been duly authorized for issuance and will, when issued pursuant to the conversion of the Company's 4½% Convertible Subordinated Debentures, due July 1, 1980, be validly issued, fully paid and non-assessable and that, under the laws of Delaware, the state of the Company's incorporation, or of the State of Washington, the state in which its principal place of business is located, no personal liability will attach to the stockholders of the Company with respect to such shares of stock.

(c) that the 611,952 shares of Capital Stock covered by this Application will, when issued, be additional shares of the same class of Capital Stock as those heretofore registered under the Securities Exchange Act of 1934. In accordance with the amended Regulation X-12D1 of the Securities and Exchange Commission, no registration of the additional shares is necessary under that act.

## STATUS UNDER FEDERAL OR STATE AUTHORITIES

The Registration Statement under the Securities Act of 1933 on Form S-1, for registration under said act of $30,597,600 principal amount of its 4½% Convertible Subordinated Debentures, due July 1, 1980, and the Capital Stock of the Company referred to in this Application into which the Debentures are convertible, was filed by the Company with the Securities and Exchange Commission on June 25, 1958, its file No. 2-14218. The Company is filing with the New York Stock Exchange and the Securities and Exchange Commission an application on Form 8-A for registration of said $30,597,600 principal amount of Debentures on the New York Stock Exchange pursuant to the Securities Exchange Act of 1934, as amended. The Indenture under which the Debentures will be issued has been qualified under the Trust Indenture Act of 1939, as amended.

## LISTING AGREEMENTS

The listing agreement filed with the Company's Listing Application No. A-17292 dated November 5, 1957, is incorporated herein by reference.

## GENERAL INFORMATION

The fiscal year of the Company ends December 31.

The principal business address of the Company is 7755 East Marginal Way, Seattle, Washington.

The statutory address of the Company is 900 Market Street, Wilmington, Delaware.

The annual meeting of the stockholders of the Company is held on the first Tuesday in May of each year at the principal office of the Company in Seattle, Washington. The presence, in person or by proxy, of twenty-five percent of all of the outstanding shares of stock entitled to vote constitutes a quorum for regular meetings of stockholders.

The Trustee for the Debentures is The Chase Manhattan Bank, 18 Pine Street, New York 15, New York. The Trustee is agent for the payment of principal and interest on, and for the exchange, registration, transfer and conversion of, the Debentures.

The Company's Transfer Agent is the City Bank Farmers Trust Company, 2 Wall Street, New York 15, New York.

The Company's Registrar is The First National City Bank of New York, 55 Wall Street, New York 15, New York.

BOEING AIRPLANE COMPANY

By J. O. YEASTING
Vice President-Finance

The New York Stock Exchange hereby authorizes the listing of

$30,597,600 principal amount of 4½% Convertible Subordinated Debentures due July 1, 1980 of Boeing Airplane Company, upon official notice of issuance and evidence of satisfactory distribution pursuant to an underwritten offering made to the holders of Capital Stock.

The Exchange also authorizes the listing of

611,952 additional shares of Capital Stock, upon official notice of issuance upon conversion of the above mentioned debentures

all as hereinabove more fully set forth making a total of 7,724,540 shares of Capital Stock authorized to be listed.

PHILLIP L. WEST, Director
Department of Stock List

G. KEITH FUNSTON, President
New York Stock Exchange

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14653-P-1-57. ✓

# NEW YORK STOCK EXCHANGE

## LISTING AGREEMENT

*Nothing in the following Agreement shall be so construed as to require the Issuer to do any acts in contravention of law or in violation of any rule or regulation of any public authority exercising jurisdiction over the Issuer.*

..................BOEING AIRPLANE COMPANY.......................... (hereinafter called the "Corporation"), in consideration of the listing of the securities covered by this application, hereby agrees with the New York Stock Exchange (hereinafter called the "Exchange"), as follows:

### I

1. The Corporation will promptly notify the Exchange of any change in the general character or nature of its business.

2. The Corporation will promptly notify the Exchange of any changes of officers or directors.

3. The Corporation will promptly notify the Exchange in the event that it or any company controlled by it shall dispose of any property or of any stock interest in any of its subsidiary or controlled companies, if such disposal will materially affect the financial position of the Corporation or the nature or extent of its operations.

4. The Corporation will promptly notify the Exchange of any change in, or removal of, collateral deposited under any mortgage or trust indenture, under which securities of the Corporation listed on the Exchange have been issued.

5. The Corporation will:

a. File with the Exchange four copies of all material mailed by the Corporation to its stockholders with respect to any amendment or proposed amendment to its Certificate of Incorporation.

b. File with the Exchange a copy of any amendment to its Certificate of Incorporation, or resolution of Directors in the nature of an amendment, certified by the Secretary of the state of incorporation, as soon as such amendment or resolution shall have been filed in the appropriate state office.

c. File with the Exchange a copy of any amendment to its By-Laws, certified by a duly authorized officer of the Corporation, as soon as such amendment shall have become effective.

6. The Corporation will disclose in its annual report to shareholders, for the year covered by the report, (1) the number of shares of its stock issuable under outstanding options at the beginning of the year; separate totals of changes in the number of shares of its stock under option resulting from issuance, exercise, expiration or cancellation of options; and the number of shares issuable under outstanding options at the close of the year, (2) the number of unoptioned shares available at the beginning and at the close of the year for the granting of options under an option plan, and (3) any changes in the exercise price of outstanding options, through cancellation and reissuance or otherwise, except price changes resulting from the normal operation of anti-dilution provisions of the options.

7. The Corporation will report to the Exchange, within ten days after the close of a fiscal quarter, in the event any previously issued shares of any stock of the Corporation listed on the Exchange have been reacquired or disposed of, directly or indirectly, for the account of the Corporation during such fiscal quarter, such report showing separate totals for acquisitions and dispositions and the number of shares of such stock so held by it at the end of such quarter.

8. The Corporation will promptly notify the Exchange of all facts relating to the purchase, direct or indirect, of any of its securities listed on the Exchange at a price in excess of the market price of such security prevailing on the Exchange at the time of such purchase.

9. The Corporation will not select any of its securities listed on the Exchange for redemption otherwise than by lot or pro rata, and will not set a redemption date earlier than fifteen days after the date corporate action is taken to authorize the redemption.

10. The Corporation will promptly notify the Exchange of any corporate action which will result in the redemption, cancellation or retirement, in whole or in part, of any of its securities listed on the Exchange, and will notify the Exchange as soon as the Corporation has notice of any other action which will result in any such redemption, cancellation or retirement.

11. The Corporation will promptly notify the Exchange of action taken to fix a stockholders' record date, or to close the transfer books, for any purpose, and will take such action at such time as will permit giving the Exchange at least ten days' notice in advance of such record date or closing of the books.

12. In case the securities to be listed are in temporary form, the Corporation agrees to order permanent engraved securities within thirty days after the date of listing.

13. The Corporation will furnish to the Exchange on demand such information concerning the Corporation as the Exchange may reasonably require.

14. The Corporation will not make any change in the form or nature of any of its securities listed on the Exchange, nor in the rights or privileges of the holders thereof, without having given twenty days' prior notice to the Exchange of the proposed change, and having made application for the listing of the securities as changed if the Exchange shall so require.

15. The Corporation will make available to the Exchange, upon request, the names of member firms of the Exchange which are registered owners of stock of the Corporation listed on the Exchange if at any time the need for such stock for loaning purposes on the Exchange should develop, and in addition, if found necessary, will use its best efforts with any known large holders to make reasonable amounts of such stock available for such purposes in accordance with the rules of the Exchange.

16. The Corporation will promptly notify the Exchange of any diminution in the supply of stock available for the market occasioned by deposit of stock under voting trust agreements or other deposit agreements, if knowledge of any such actual or proposed deposits should come to the official attention of the officers or directors of the Corporation.

17. The Corporation will make application to the Exchange for the listing of additional amounts of securities listed on the Exchange sufficiently prior to the issuance thereof to permit action in due course upon such application.

## II

1. The Corporation will publish at least once a year and submit to its stockholders at least fifteen days in advance of the annual meeting of such stockholders and not later than three months after the close of the last preceding fiscal year of the Corporation a balance sheet as of the end of such fiscal year, and a surplus and income statement for such fiscal year of the Corporation as a seperate corporate entity and of each corporation in which it holds directly or indirectly a majority of the equity stock; or in lieu thereof, eliminating all intercompany transactions, a consolidated balance sheet of the Corporation and its subsidiaries as of the end of its last previous fiscal year, and a consolidated surplus statement and a consolidated income statement of the Corporation and its subsidiaries for such fiscal year. If any such consolidated statement shall exclude corporations a majority of whose equity stock is owned directly or indirectly by the Corporation: (a) the caption of, or a note to, such statement will show the degree of consolidation; (b) the consolidated income account will reflect, either in a footnote or otherwise, the parent company's proportion of the sum of, or difference between, current earnings or losses and the dividends of such unconsolidated subsidiaries for the period of the report; and (c) the consolidated balance sheet will reflect, either in a footnote or otherwise, the extent to which the equity of the parent company in such subsidiaries has been increased or diminished since the date of acquisition as a result of profits, losses and distributions.

Appropriate reserves, in accordance with good accounting practice, will be made against profits arising out of all transactions with unconsolidated subsidiaries in either parent company statements or consolidated statements.

Such statements will reflect the existence of any default in interest, cumulative dividend requirements, sinking fund or redemption fund requirements of the Corporation and of any controlled corporation, whether consolidated or unconsolidated.

2. All financial statements contained in annual reports of the Corporation to its stockholders will be audited by independent public accountants qualified under the laws of some state or country, and will be accompanied by a copy of the certificate made by them with respect to their audit of such statements showing the scope of such audit and the qualifications, if any, with respect thereto.

The Corporation will promptly notify the Exchange if it changes its independent public accountants regularly auditing the books and accounts of the Corporation.

3. All financial statements contained in annual reports of the Corporation to its stockholders shall be in the same form as the corresponding statements contained in the listing application in connection with which this Listing Agreement is made, and shall disclose any substantial items of unusual or non-recurrent nature.

4. The Corporation will publish quarterly statements of earnings on the basis of the same degree of consolidation as in the annual report. Such statements will disclose any substantial items of unusual or non-recurrent nature and will show either net income before and after federal income taxes or net income and the amount of federal income taxes.

5. The Corporation will not make, nor will it permit any subsidiary directly or indirectly controlled by it to make, any substantial charges against capital surplus, without notifying the Exchange. If so requested by the Exchange, the Corporation will submit such charges to stockholders for approval or ratification.

6. The Corporation will not make any substantial change, nor will it permit any subsidiary directly or indirectly controlled by it to make any substantial change, in accounting methods, in policies as to depreciation and depletion or in bases of valuation of inventories or other assets, without notifying the Exchange and disclosing the effect of any such change in its next succeeding interim and annual report to its stockholders.

## III

1. The Corporation will maintain in the Borough of Manhattan, City of New York, in accordance with the requirements of the Exchange:

a. An office or agency where the principal of and interest on all bonds of the Corporation listed on the Exchange shall be payable and where any such bonds which are registerable as to principal or interest may be registered.

b. An office or agency where

(1). All stock of the Corporation listed on the Exchange shall be transferable.

(2). Checks for dividends and other payments with respect to stock listed on the Exchange may be presented for immediate payment.

(3). Scrip issued to holders of a security listed on the Exchange and representing a fractional interest in a security listed on the Exchange will, during the period provided for consolidation thereof, be accepted for such purpose.

(4). A security listed on the Exchange which is convertible will be accepted for conversion.

If at any time the transfer office or agency for a security listed on the Exchange shall be located north of Chambers Street, the Corporation will arrange, at its own cost and expense, that its registrar's office, or some other suitable office satisfactory to the Exchange and south of Chambers Street, will receive and redeliver all securities there tendered for the purpose of transfer.

If the transfer books for a security of the Corporation listed on the Exchange should be closed permanently, the Corporation will continue to split up certificates for such security into certificates of smaller denominations in the same name so long as such security continues to be dealt in on the Exchange.

If checks for dividends or other payments with respect to stock listed on the Exchange are drawn on a bank located outside the City of New York, the Corporation will also make arrangements for payment of such checks at a bank, trust company or other agency located in the Borough of Manhattan, City of New York.

c. A registrar where stock of the Corporation listed on the Exchange shall be registerable. Such registrar shall be a bank or trust company not acting as transfer agent for the same security.

2. The Corporation will not appoint a transfer agent, registrar or fiscal agent of, nor a trustee under a mortgage or other instrument relating to, any security of the Corporation listed on the Exchange without prior notice to the Exchange, and the Corporation will not appoint a registrar for its stock listed on the Exchange unless such registrar, at the time of its appointment becoming effective, is

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qualified with the Exchange as a registrar for securities listed on the Exchange; nor will the Corporation select an officer or director of the Corporation as a trustee under a mortgage or other instrument relating to a security of the Corporation listed on the Exchange.

3. The Corporation will have on hand at all times a sufficient supply of certificates to meet the demands for transfer. If at any time the stock certificates of the Corporation do not recite the preferences of all classes of its stock, it will furnish to its stockholders, upon request and without charge, a printed copy of preferences of all classes of such stock.

4. The Corporation will publish immediately to the holders of any of its securities listed on the Exchange any action taken by the Corporation with respect to dividends or to the allotment of rights to subscribe or to any rights or benefits pertaining to the ownership of its securities listed on the Exchange; and will give prompt notice to the Exchange of any such action; and will afford the holders of its securities listed on the Exchange a proper period within which to record their interests and to exercise their rights; and will issue all such rights or benefits in form approved by the Exchange and will make the same transferable, exercisable, payable and deliverable in the Borough of Manhattan in the City of New York.

5. The Corporation will solicit proxies for all meetings of stockholders.

6. The Corporation will issue new certificates for securities listed on the Exchange replacing lost ones forthwith upon notification of loss and receipt of proper indemnity. In the event of the issuance of any duplicate bond to replace a bond which has been alleged to be lost, stolen or destroyed and the subsequent appearance of the original bond in the hands of an innocent bondholder, either the original or the duplicate bond will be taken up and cancelled and the Corporation will deliver to such holder another bond theretofore issued and outstanding.

..............................................................

Date November 5, 1957 By Vice President-Finance

Registration No. 2-14218

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 25, D. C.

## AMENDMENT NO. 1

TO

## FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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# Boeing Airplane Company

(Exact name of registrant as specified in charter)

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7755 East Marginal Way, Seattle 24, Washington

(Address of principal executive offices)

J. O. Yeasting, *Vice President—Finance*
7755 East Marginal Way
Seattle 24, Washington

J. P. Murray, *Vice President—Eastern Representative*
1625 K Street N. W.
Washington 6, D. C.

(Name and address of agent for service)

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Amending Prospectus and Exhibit 14

## BOEING AIRPLANE COMPANY

### Cross Reference Sheet for Prospectus

| Item Number and Caption | Heading in Prospectus |
|---|---|
| 1. Distribution Spread | Cover Page, Underwriting |
| 2. Plan of Distribution | Underwriting |
| 3. Use of Proceeds to Registrant | Application of Proceeds |
| 4. Sales Otherwise than for Cash | Inapplicable |
| 5. Capital Structure | Capitalization |
| 6. Summary of Earnings | Summary of Net Earnings and Retained Earnings |
| 7. Organization of Registrant | History and Business |
| 8. Parents of Registrant | Inapplicable |
| 9. Description of Business | History and Business |
| 10. Description of Property | Description of Property |
| 11. Organization within Five Years | Inapplicable |
| 12. Pending Legal Proceedings | History and Business |
| 13. Capital Stock being Registered | Description of Capital Stock |
| 14. Long Term Debt being Registered | Description of the Convertible Subordinated Debentures<br>Sale of Senior Debentures<br>Certain Provisions of the Senior Debentures |
| 15. Other Securities being Registered | Inapplicable |
| 16. Directors and Executive Officers | Management |
| 17. Remuneration of Directors and Officers | Management |
| 18. Options to Purchase Securities | Management |
| 19. Principal Holders of Securities | Management |
| 20. Interest of Management and Others in Certain Transactions | Management |
| 21. Financial Statements. | Financial Statements |

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PRELIMINARY PROSPECTUS DATED JUNE 30, 1958

**PROSPECTUS**

# $30,597,600

# Boeing Airplane Company

## ....% Convertible Subordinated Debentures, due July 1, 1980

**(to bear interest from July 29, 1958)**

**Convertible until maturity, unless previously redeemed, into Capital Stock at the conversion rate of ............ shares of Capital Stock for each $100 principal amount of Debentures (equivalent to a conversion price of $.......... per share), subject to adjustment in certain events.**

As more fully set forth herein, the Company is offering to the holders of its outstanding Capital Stock of record at the close of business on July 15, 1958 the right to subscribe for these Debentures in the ratio of $100 principal amount of Debentures for each 23 shares of Capital Stock held on such record date. The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958.

The Company has applied for the listing of the Convertible Subordinated Debentures on the New York Stock Exchange.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

| | Subscription Price | Underwriting Commissions(1) | Proceeds to Company(2) |
|---|---|---|---|
| Per Unit ($100 principal amount) .................... | $100 | | |
| Total .................................... | $30,597,600 | | |

**(1) The Company has agreed to indemnify the Underwriters against certain liabilities.**

**(2) Plus accrued interest from July 29, 1958 on Unsubscribed Debentures and before deduction of expenses of the Company estimated at $............................**

During and after the expiration of the Subscription Offer, the several Underwriters may offer Convertible Subordinated Debentures to the public at prices which it is intended shall not be increased more frequently than once each day and shall not be less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) nor more than the highest known price at which the Convertible Subordinated Debentures are then being offered by a dealer not participating in the distribution to other dealers plus the amount of any concession allowed to dealers. As a result, the Underwriters may realize profits or losses independent of the underwriting compensation stated above.

**Harriman Ripley & Co.**
Incorporated

**Blyth & Co., Inc.**

The date of this Prospectus is July , 1958.

**No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any state to any person to whom it is unlawful to make such an offer or solicitation.**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CONVERTIBLE SUBORDINATED DEBENTURES, CAPITAL STOCK AND RIGHTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SUBSCRIPTION OFFER

Boeing Airplane Company (herein called "the Company") hereby offers to the holders of its Capital Stock of record at 3:30 p. m. Eastern Daylight Saving Time on July 15, 1958 the right to subscribe for its % Convertible Subordinated Debentures, due July 1, 1980 (herein called "Convertible Subordinated Debentures"), at a Subscription Price of 100% of the principal amount subscribed and at the rate of $100 principal amount of Convertible Subordinated Debentures for each 23 shares of Capital Stock held on the record date.

**Warrants:** Rights to subscribe are evidenced by fully transferable Warrants. One Right will be issued for each full share of Capital Stock held on the record date, and 23 Rights will be required to subscribe for each $100 principal amount of Convertible Subordinated Debentures. Subscriptions will be accepted only for $100 principal amount of Convertible Subordinated Debentures or multiples thereof. Instructions for the use and disposition of the Warrants are set forth on the reverse side thereof.

**Expiration Date:** The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958, and Warrants will become void if not exercised by that time.

**Method of Subscription:** Subscriptions are to be made by filling out and signing the subscription agreement (Form 1) on the face of the Warrant and delivering the Warrant, accompanied by full payment of the Subscription Price, to the Subscription Agent, City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, New York, by 3:30 p. m. Eastern Daylight Saving Time on the Expiration Date. Payment of the Subscription Price must be made in United States dollars and may be in cash or by check or bank draft drawn on a bank in the continental United States or by postal or express money order, payable to the order of City Bank Farmers Trust Company, Agent, or Boeing Airplane Company. If, on or prior to the Expiration Date, the Agent shall actually receive, by telegram or otherwise, payment of the full Subscription Price for Convertible Subordinated Debentures subscribed for, together with a telegram or letter from a bank or broker guaranteeing delivery of the Warrant or Warrants, designated by serial number, such subscription will be accepted subject to receipt by the Agent of the duly executed Warrant or Warrants.

**Purchase and Sale of Rights:** It is expected that the Rights will be traded on the New York Stock Exchange. Rights may be purchased or sold through the usual investment channels. Arrangements have been made with the Subscription Agent whereby a Warrant holder may sell Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23. This service will be rendered by the Subscription Agent, as agent for the Warrant holders, without charge to the Warrant holders (other than the cost of Rights purchased), as the Company will assume all brokerage commissions, transfer taxes and fees and expenses of the Agent. The Subscription Agent may offset buying and selling orders, and the Subscription Agent's execution of other orders is subject to the Subscription Agent's ability to find a buyer or seller.

**Delivery of Convertible Subordinated Debentures:** Convertible Subordinated Debentures in definitive or temporary form will be delivered on or as soon as practicable after the Expiration Date, provided checks given in payment of the Subscription Price and the cost of any Rights purchased have first been cleared.

**Foreign Stockholders:** Warrants will not be mailed to stockholders with A. P. O. or F. P. O. addresses or with addresses outside the continental United States or Canada, but will be held for their accounts by the Agent until 12 noon Eastern Daylight Saving Time on the last business day preceding the Expiration Date, at which time, in the absence of contrary instructions, they will be sold if feasible and the net proceeds distributed to such stockholders.

## SALE OF SENIOR DEBENTURES

The Company has filed a Registration Statement covering $60,000,000 principal amount of ........% Sinking Fund Debentures, due August 1, 1978 (herein called "Senior Debentures" or "Sinking Fund Debentures") which it is proposed will be offered for sale to the public through underwriters by means of a separate prospectus on or about the date the Convertible Subordinated Debentures, to which this Prospectus relates, are first offered to the holders of the Company's Capital Stock. Delivery of and payment for the Senior Debentures will be contingent upon the receipt by the Company of the proceeds from the sale of all the Convertible Subordinated Debentures.

## APPLICATION OF PROCEEDS

The recent growth of the Company's business, as evidenced by the "Summary of Net Earnings and Retained Earnings" herein, coupled with the Government's recent reductions of progress payment and cost reimbursement percentages (hereinafter described), is requiring increased amounts of working capital. Also, during the years 1956 and 1957 the Company expended over $75,000,000 for new capital facilities. As a consequence, at June 16, 1958, the Company had outstanding short-term bank loans of $115,000,000 under open lines of credit aggregating $150,000,000. It is expected that a substantial portion of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures will be used to reduce the aforementioned bank loans.

It is presently anticipated that during the years 1958 and 1959 the Company's expenditures for additions and improvements to its properties and facilities will be roughly equivalent to the estimated aggregate charges of about $40,000,000 for depreciation and amortization for those two years. However, the Company believes that it will require additional funds principally for work in process inventories and receivables. Any balance of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures not applied to the reduction of bank loans will be available, together with retained earnings, for such inventories and receivables. The Company expects to obtain any additional funds which may be required through bank borrowings. However, it may obtain all or a part thereof from other borrowings or from the sale of securities.

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## CAPITALIZATION

The capitalization of the Company as of March 31, 1958, and as adjusted to give effect as of that date to the sale of the Senior Debentures and the Convertible Subordinated Debentures, is as follows:

| | Outstanding as of March 31, 1958 | As Adjusted |
|---|---|---|
| **Funded Debt:** | | |
| Sinking Fund Debentures, due 1978, authorized $60,000,000 | None | $60,000,000 |
| Convertible Subordinated Debentures, due 1980, authorized $30,597,600 | None | 30,597,600 |
| Total Funded Debt | None | $90,597,600 |
| **Stockholders' Investment:** | | |
| Capital Stock, par value $5 a share—authorized 10,000,000 shares(1); issued and outstanding 7,037,447 shares at stated value(2) | $ 97,884,588 | $ 97,884,588 |
| Retained earnings(3)(4) | 91,827,706 | 91,827,706 |
| Total Stockholders' Investment | $189,712,294 | $189,712,294 |

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(1) Of the authorized unissued shares, 274,513 shares are available for issuance under the Company's Stock Option and Incentive Compensation Plans (hereinafter described) free from preemptive rights of stockholders, and .............. additional shares are reserved for issuance upon conversion of the Convertible Subordinated Debentures.

(2) In March 1958, the Company issued 83,864 shares of Capital Stock pursuant to the Incentive Compensation Plan and $3,050,553 was credited to the Capital Stock account by reason thereof.

(3) See Note 1 to "Summary of Net Earnings and Retained Earnings" herein.

(4) For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures" herein.

The Company has an open line of credit aggregating $150,000,000 with a group of seventeen banks. The credit is on an annual review basis and there is no commitment fee. Borrowings are evidenced by unsecured 90-day notes bearing interest at the prime rate in effect at the time of such borrowings. At June 16, 1958, $115,000,000 of borrowings were outstanding against this line of credit.

## PRICE RANGE OF CAPITAL STOCK

The following tabulation sets forth the reported high and low sales prices of the Company's Capital Stock on the New York Stock Exchange from January 1, 1948 through June 18, 1958, adjusted (to the nearest one-eighth) to reflect the three-for-two stock split in May 1952, the two-for-one stock split in May 1954, and the two-for-one stock split in August 1956. The prices are not adjusted for dividends paid in Capital Stock as follows: 1956—2%, and 1957—4%.

| Calendar Year | High | Low | Calendar Year | High | Low |
|---|---|---|---|---|---|
| 1948 | 4⅞ | 3¼ | 1954 | 37½ | 11⅜ |
| 1949 | 4¼ | 3 | 1955 | 44¼ | 27⅜ |
| 1950 | 7 | 3⅞ | 1956 | 65⅜ | 34⅝ |
| 1951 | 9⅜ | 6½ | 1957 | 61⅛ | 29 |
| 1952 | 10⅜ | 7½ | 1958 (through June 18) | 44⅝ | 34⅛ |
| 1953 | 12⅝ | 9⅛ | | | |

The last sale price on the New York Stock Exchange on June 18, 1958, was $43.25.

## SUMMARY OF NET EARNINGND RET

The following summary of net earnings and retained earnings for the ten years ended December 3[illegible]1, 1958 ha 1957 has been prepared from financial statements which have been examined by Touche, Niven, Bailey hts, but the Smart, independent certified public accountants, as set forth in their report appearing elsewhere in this Prsults for spectus. Information contained in the summary for the three-month periods ended March 31, 1957 and Maronjunction

|  | 1948 | 1949 | 1950<br>(Notes 1 and 2) | 1951 | Year end<br>1952<br>(Note 1) |
|---|---|---|---|---|---|
| Sales | $126,932 | $286,752 | $307,251 | $337,30 | 731,688 |
| Other income | 373 | 261 | 555 | 65 | 747 |
|  | $127,305 | $287,013 | $307,806 | $337,95 | 732,435 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the period | $120,196 | $273,224 | $276,711 | $308,73 | 674,394 |
| Research and developmental expenses | 440 | 525 | 1,102 | 1,43 | 3,539 |
| General and administrative expenses | 1,780 | 2,368 | 3,145 | 4,75 | 6,346 |
| Depreciation and amortization | 664 | 713 | 804 | 1,19 | 1,642 |
| Incentive compensation for officers and employees | 180 | 500 | 1,400 | 1,10 | 2,500 |
| Other expenses | 722 | 750 | 305 | 45 | 630 |
| Interest expense | 422 | 942 | 112 | 43 | 922 |
|  | $124,404 | $279,022 | $283,579 | $318,11 | 689,973 |
| Earnings before Taxes on Income | $ 2,901 | $ 7,991 | $ 24,227 | $ 19,84 | 42,462 |
| Federal and state taxes on income: |  |  |  |  |  |
| Federal excess profits tax | $ — | $ — | $ 2,520 | $ 2,54 | 7,701 |
| Federal and state income taxes | 1,185 | 3,580 | 10,880 | 10,16 | 22,423 |
|  | $ 1,185 | $ 3,580 | $ 13,400 | $ 12,70 | 30,124 |
| Net Earnings | $ 1,716 | $ 4,411 | $ 10,827 | $ 7,14 | 12,338 |
| Retained earnings at beginning of period | 29,258 | 30,520 | 32,766 | 40,34 | 44,240 |
|  | $ 30,974 | $ 34,931 | $ 43,593 | $ 47,48 | 56,578 |
| Cash dividends paid | $ 1,083 | $ 2,165 | $ 3,247 | $ 3,24 | 4,326 |
| Amounts transferred to the capital stock account by the Board of Directors: |  |  |  |  |  |
| Stock splits (three-for-two in 1952; two-for-one in 1954 and 1956) |  |  |  |  | 21,649 |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend |  |  |  |  |  |
| Restoration of unnecessary portion of reserve for contract adjustments and indeterminate expenses | (629) |  |  |  |  |
|  | $ 454 | $ 2,165 | $ 3,247 | $ 3,24 | 25,975 |
| Retained earnings at end of period | $ 30,520 | $ 32,766 | $ 40,346 | $ 44,24 | 30,603 |
| Net earnings per share (Note 3) | $0.25 | $0.64 | $1.57 | $1.04 | $1.79 |
| Cash dividends per share (Note 3) | 0.16 | 0.31 | 0.47 | 0.47 | 0.63 |

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**Notes to Summary**

1. Unilateral determinations of excessive profits have been made by the Renegotiation Board for the years 1952, 1953 and 1954, of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. The required net refunds, amounting after credits for applicable federal income and excess profits taxes to $2,946,702, $2,057,793, and $4,637,956, respectively, have been paid or provided for in the accounts. Financial data shown in the above summary have been restated to give effect to the refunds in the applicable years, except that the refund for the year 1952 has been reduced by an allowance of $1,200,000, net of taxes, which was originally provided in the yea 1950. Petitions have been filed with the Tax Court of the United States for redetermination of the Board's order for the years 1952, 1953 and 1954.

The Company does not know and cannot reasonably predict what the Board's actions will be for the years subsequen to 1954. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no pro vision has been made for renegotiation refunds for years subsequent to 1954 or for the three months ended March 31, 1958.

2. In 1950 the accounting policy of the Company was changed to accrue all applicable fees on cost-plus-a-fixed-fee contracts. Under the former policy the withheld portion of such fees was not accrued until collectible. The effect of the change was to increase sales for 1950 by $1,445,785 and net earnings by $691,230.

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## RNINGND RETAINED EARNINGS

nber 3l1, 1958 has been prepared from financial statements of the Company not examined by independent account-
Bailey (nts, but the management of the Company believes that all adjustments necessary to a fair summary of the
his Preesults for such three-month periods have been included. The summary is subject to, and should be read in
d Marconjunction with, the financial statements and related notes included elsewhere in this Prospectus.

| In thousands of dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year ended December 31, | | | | | | | Three months ended March 31, | |
| 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1957 | 1958 |
| | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (without audit) (Note 1) | (without audit) (Notes 1 and 4) |
| $337,30 | 731,688 | $912,431 | $1,023,514 | $853,828 | $1,006,357 | $1,596,509 | $292,712 | $411,052 |
| 65 | 747 | 1,125 | 1,047 | 776 | 1,168 | 762 | 151 | 45 |
| $337,95 | 732,435 | $913,556 | $1,024,561 | $854,604 | $1,007,525 | $1,597,271 | $292,863 | $411,097 |
| 308,73 | 674,394 | $832,084 | $ 931,446 | $764,603 | $ 905,185 | $1,466,057 | $266,908 | $374,531 |
| 1,43 | 3,539 | 14,561 | 8,541 | 8,412 | 12,458 | 19,646 | 3,015 | 5,773 |
| 4,75 | 6,346 | 6,965 | 8,347 | 9,409 | 9,856 | 13,017 | 2,844 | 3,490 |
| 1,19 | 1,642 | 2,796 | 4,030 | 4,925 | 6,238 | 12,422 | 1,918 | 4,575 |
| 1,10 | 2,500 | 3,000 | 3,900 | 3,250 | 3,866 | 3,995 | 875 | 1,250 |
| 45 | 630 | 1,085 | 1,174 | 1,293 | 2,215 | 2,469 | 423 | 214 |
| 43 | 922 | 62 | 59 | 71 | 572 | 2,005 | 5 | 1,165 |
| 318,11 | 689,973 | $860,553 | $ 957,497 | $791,963 | $ 940 390 | $1,519,611 | $275,988 | $390,998 |
| 19,84 | 42,462 | $ 53,003 | $ 67,064 | $ 62,641 | $ 67,135 | $ 77,660 | $ 16,875 | $ 20,099 |
| 2,54 | 7,701 | $ 8,732 | $ — | $ — | $ — | $ — | $ — | $ — |
| 10,16 | 22,423 | 26,011 | 34,726 | 32,250 | 35,000 | 39,500 | 8,800 | 10,600 |
| 12,70 | 30,124 | $ 34,743 | $ 34,726 | $ 32,250 | $ 35,000 | $ 39,500 | $ 8,800 | $ 10,600 |
| 7,14 | 12,338 | $ 18,260 | $ 32,338 | $ 30,391 | $ 32,135 | $ 38,160 | $ 8,075 | $ 9,499 |
| 40,34 | 44,240 | 30,603 | 43,187 | 40,999 | 60,811 | 61,548 | 61,548 | 84,067 |
| 47,48 | 56,578 | $ 48,863 | $ 75,525 | $ 71,390 | $ 92,946 | $ 99,708 | $ 69,623 | $ 93,566 |
| 3,24 | 4,326 | $ 5,676 | $ 9,729 | $ 10,579 | $ 8,163 | $ 6,681 | $ 1,666 | $ 1,738 |
| | 21,649 | | 24,797 | | 16,340 | | | |
| | | | | | 6,895 | 8,960 | | |
| 3,24 | 25,975 | $ 5,676 | $ 34,526 | $ 10,579 | $ 31,398 | $ 15,641 | $ 1,666 | $ 1,738 |
| 44,24 | 30,603 | $ 43,187 | $ 40,999 | $ 60,811 | $ 61,548 | $ 84,067(5) | $ 67,957 | $ 91,828(5) |
| $1.04 | $1.79 | $2.65 | $4.70 | $4.40 | $4.63 | $5.49 | $1.16 | $1.35 |
| 0.47 | 0.63 | 0.82 | 1.41 | 1.53 | 1.18 | 0.96 | 0.24 | 0.25 |

1952 3. The net earnings and cash dividends per share are based on the number of shares outstanding at the end
ncome f each period adjusted for the subsequent stock splits and stock dividends referred to in the above summary.
6,702 4. The results of operations for the three months ended March 31, 1958 should not be regarded as necessarily
in thndicative of the results of operations that may be expected for the year ending December 31, 1958.
or the 5. For information regarding limitations on the declaration of dividends and certain other distributions, reference
yeas made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this
orderrospectus.

### nterest and Dividends

Initial annual interest charges on the Sinking Fund Debentures and on the Convertible Subordinated Debentures will be $ and $ , respectively.

The Company on June 10, 1958 paid a quarterly cash dividend of 25¢ a share. The payment of future dividends, whether in cash or in stock or both, is dependent upon future earnings, the financial requirements of the Company, and other factors.

## HISTORY AND BUSINESS

**General**

The Company was incorporated in Delaware in 1934 to acquire certain assets of United Aircraft & Transport Corporation. However, the original predecessor corporation of the Company was organized by W. E. Boeing in Seattle, Washington, in 1916. The Company's principal executive offices are located at 7755 East Marginal Way, Seattle, Washington, and the principal properties operated by it are located in Seattle and Renton, Washington and Wichita, Kansas. The Company has no subsidiaries.

Since its inception the Company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the Company has also been engaged in research and development work in the military missile field, including management of over-all development of a complete weapons system, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto. The Company's operations are currently conducted through an administrative headquarters, five operating divisions and a Systems Management organization which was recently established to manage advanced weapons systems programs.

All aircraft and missiles currently being produced by the Company are powered by turbojet engines or ramjet and rocket engines. Certain items of equipment for the Company's products, such as engines and engine accessories, instruments, and bombing and fire control systems, are not designed or manufactured by the Company. These items are either furnished by customers or purchased from others. In addition, the Company purchases from others substantial quantities of other components which are designed by the Company.

The Company has not manufactured and delivered any commercial aircraft since 1950. However, in 1955 the Company offered to the commercial airlines of the world a four-engine jet transport aircraft, and the Company has been actively engaged in soliciting sales contracts for commercial jet transport aircraft since that time.

The Company's backlog of business under contract as of year-end for the past three years and on March 31, 1958, divided between military and commercial orders, is as follows:

| Year | Total | Military | Commercial |
|---|---|---|---|
| December 31, 1955 | $2,624,000,000 | $2,272,000,000 | $352,000,000 |
| December 31, 1956 | 3,024,000,000 | 2,385,000,000 | 639,000,000 |
| December 31, 1957 | 2,452,000,000 | 1,659,000,000 | 793,000,000 |
| March 31, 1958 | 2,880,000,000 | 2,067,000,000 | 813,000,000 |

A portion of the work included in the backlog figures tabulated above had been performed as of each of the above dates. Costs applicable to such performance as of each of such respective dates, against which the Company had received substantial progress or advance payments, were as follows:

| | |
|---|---|
| December 31, 1955 | $523,469,000 |
| December 31, 1956 | 655,180,000 |
| December 31, 1957 | 654,219,000 |
| March 31, 1958 | 625,832,000 |

Based on published annual reports of the major airframe manufacturers in the United States for the last five years, the Company believes that it was first in volume of gross sales of aircraft, missiles and related products among such manufacturers during the years 1953, 1954 and 1957 and second during the years 1955 and 1956.

The business in which the Company is engaged is a highly competitive one, which requires extraordinary emphasis on research and development work and the advancement of the state of the art in the development of new products. The necessarily changing requirements of the Federal Government with respect to both the type and quantity of military aircraft, missiles and other weapons systems make uncertain the amount and type of future military business of the Company. In addition, as commercial aircraft tend to become larger, faster and more costly, the design, development and production of commercial aircraft involve greater financial risks than those inherent in similar programs in prior years.

The principal developments in the products of the Company, certain changes which have occurred in the nature of such products, and certain additional changes which are presently occurring with respect thereto are further described below.

**Military Production**

The Company is an important designer and producer of military aircraft and allied products, particularly large multi-engine aircraft. Subsequent to World War II the Company produced for the United States Air Force substantial quantities of four-engine, propeller-driven B-50 bomber and C-97 cargo and troop transport and KC-97 in-flight refueling tanker aircraft. The last B-50 bomber produced by the Company was delivered to the Government in 1953, and the last KC-97 tanker produced by the Company was delivered in 1956. The Company is not now producing any propeller-driven aircraft. However, substantial quantities of these aircraft are still in use by the Government, and the Company is producing spare parts for such aircraft.

In 1948 the Company delivered to the Government the first prototype model B-47 Stratojet six-engine jet bomber. Delivery of the first production model of this aircraft was made in 1950, and production continued thereafter at a high rate through 1956. Substantial quantities of B-47's were also built by Douglas Aircraft Company and Lockheed Aircraft Corporation for the Air Force under license agreements with the Company.

Although the Company is not now producing any B-47 type aircraft, the Company is continuing to manufacture and sell to the Government substantial quantities of spare parts for this aircraft, and in addition the Company is performing a limited amount of modification, overhaul and repair work on B-47 type aircraft and has contracts to convert a limited number of B-47's for special uses.

In 1951 the first prototype model B-52 Stratofortress aircraft, an eight-engine jet bomber, was rolled out of the Company's Seattle plant. The first production model of this aircraft was delivered to the Government in 1954. Since that date substantial quantities of this aircraft have been produced, both in Seattle and in Wichita. Production of B-52's presently constitutes the major portion of the Company's business in Wichita and a substantial portion of the Company's business in Seattle. The final delivery of B-52 aircraft in Seattle is presently scheduled for February 1959. A contract for an improved version of this model, the B-52G, was received by the Company in 1957 and production of this version is now underway in Wichita. Deliveries of this version under present contracts are currently scheduled for completion early in 1960; however, the Company has been informed by the Government that it is considering the ordering of additional quantities of this model.

In 1952 the Company, at its own expense, embarked upon a program of design, development and construction of a four-engine jet tanker-transport prototype, at a cost of approximately $16,000,000. The twofold objective of the program was to develop a military jet tanker aircraft for in-flight refueling of jet bombers and fighters and for other military purposes, and to develop a jet transport aircraft for commercial purposes. The prototype made its first flight in July 1954, and shortly thereafter the Company was awarded a contract by the United States Air Force for the production of a military jet tanker-transport aircraft, designated the KC-135. The first production model of the KC-135 was delivered to the Government in January 1957. Production of this model and spare parts therefor now constitutes a substantial portion of the Company's business in the Seattle-Renton area.

The Company's first research contract in the missile field was received in 1945. Since that time the Company has been continuously engaged in research and development work in this field and is currently producing for the Air Force the Bomarc IM-99, a supersonic area defense missile. The Bomarc missile, powered by liquid boost rocket and ramjet engines, has an over-all length of 47 feet, has a range of 200 to 250 miles, and an operating altitude of about 60,000 feet. In addition to the missile itself, the Company has the responsibility for providing most of the other components of the weapons system, including launching and control equipment, for installing such components at Government-provided launching bases, and for integrating the complete weapons system. Much of the equipment and work is provided through subcontractors.

Further research and development work in the area defense field is continuing under a contract with the United States Air Force for a program to extend the range of the Bomarc IM-99 missile beyond 400 miles, to improve other performance capabilities, and to change to a solid fuel boost rocket engine.

The Company has established new scientific research laboratories and is conducting investigations and studies in various additional areas which are believed to have potential for new military business, including manned and unmanned long-range glide rockets and other advanced airborne and ballistic vehicles and advanced military transport-tanker equipment. Proposals in some of these areas have been made to agencies of the Government but no production contracts have been received by the Company. However, on June 16, 1958, the Air Force announced that the Company and one other aircraft company had been selected as competitive sources for development of the Air Force's advanced boost glide aircraft called Dyna-Soar. The term Dyna-Soar is a contraction of the words dynamic soaring. The objective of the program is to develop a boost glide vehicle to orbit around the earth one or more times under control and to make a controlled return to the earth. It is anticipated that research and development contracts will be placed by the Air Force with both sources for the development of competitive designs and that each source will utilize the specialized skills of other companies in developing its design.

The Company is also producing small gas turbine engines on a limited basis for use principally by the Navy as power plants for small boats, by the Navy and the Air Force as auxiliary power supply units, and for experimental use in helicopters and radio-controlled target aircraft.

As is indicated above, since World War II the Company's military business may be roughly divided into three categories: large multi-engine bombers, large multi-engine transport-tanker type aircraft, and missiles. As the state of the art of the aircraft industry has advanced from propeller-driven to jet-engine-powered aircraft, the Company has been successful in maintaining its position as a principal producer of multi-engine heavy bomber and tanker type aircraft. The B-47 and B-52 production programs followed on after the B-50 production program. Likewise, the KC-135 jet tanker-transport program was a logical follow-on to the C-97 and KC-97 series aircraft. The Company currently has substantial orders for B-52 bomber aircraft and has been informed by the Government that additional orders for improved versions thereof are under consideration, but the Company is not now working on a multi-engine bomber as a replacement for the B-52. Also, the Company currently has substantial orders for the new KC-135 tanker-transport aircraft and anticipates that it will obtain additional orders for this type aircraft. While it is possible that military weapons systems of the future will not require tanker aircraft support, the Company believes there will be a continuing requirement for this type aircraft for use as a transport and other specialized purposes. In the missile field the Company's efforts have been constantly increasing, although the Company has only one missile production program, the Bomarc IM-99.

As a result of the accelerating emphasis throughout the world on the development of missiles and other weapons systems utilizing equipment and design and production techniques some of which are not traditional to the aircraft industry, and the requirement that Government contractors assume increased responsibility for the development and integration of complete weapons systems, the Company has recently enlarged its activities in these areas and may be expected in the future to expand such activities. The new Systems Management organization of the Company has been established to organize, manage and coordinate the development and production of advanced weapons systems for which the resources of two or more companies are required. The changes occurring in the nature of future military weapons systems are requiring research and development work by the Company in new technological fields and are leading it into competition with companies in other industries with whom it has not heretofore been in competition. The extent to which the Company will obtain future military business in these fields will depend in large measure upon its ability to become proficient in these technologies and to provide the required over-all weapons system management.

### Government Contracts

Substantially all of the Company's government contracts covering work performed for the Government are either of the fixed price incentive or cost reimbursement type. The fixed price incentive type provides for establishment of a target cost, price and profit either at time of execution of the contract or after some production experience has been obtained and for participation, within the limits provided in the contract, by the Company and the Government in the underrun or overrun of the actual cost compared to the target cost. The cost reimbursement type provides for reimbursement of costs with certain exceptions and payment of a fee as specified in each contract. In addition to provisions for termination for default, all of these government contracts provide that they may be terminated by the Government whenever the Government determines that such termination is in its best interest. Upon termination for the convenience of the Government, the Company is entitled to be paid its costs, with certain exceptions, and in general a proportionate share of the profit or fee on the work done.

For a number of years the Company received progress payments as work was performed under fixed price type contracts of amounts up to 90% of costs incurred. In 1955 the Government reduced progress payments under such contracts to 75% of total costs, and in August of 1957 to 70%. Also, in November 1957 the Government reduced current reimbursement percentages under cost reimbursement contracts from 100% to 80% of expenditures thereunder. As a result of these changes, the Company is required to finance a greater portion of the work in process inventories and receivables under government contracts.

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. The Renegotiation Board has issued unilateral orders for the years 1952, 1953 and 1954 determining that the Company earned excessive profits (before adjustment for applicable income taxes) for such years of $10,000,000, $7,500,000 and $10,000,000, respectively, requiring refunds to the Government of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. After giving effect to applicable federal income and excess profits tax credits, the net amount of the refund for each of such years is $2,946,702, $2,057,793 and $4,637,956, respectively. The Company has paid or provided for the net refunds as above stated and has filed with the Tax Court of the United States petitions for redetermination of the Board's orders. It is expected that the 1952 case will be tried in the fall of 1958. The Renegotiation Act provides that the Tax Court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board and that the proceeding shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo.* The Company does not know and cannot reasonably predict what the actions of the Renegotiation Board will be for the years 1955, 1956, 1957 and 1958. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for any periods subsequent to 1954. However, there is no assurance that the Company may not be required to make refunds for those years or that the Company will be successful in its suits with respect to the Board's orders for the years 1952, 1953 and 1954.

### Commercial Production and Contracts

Prior to World War II the Company was a pioneer in the design and manufacture of commercial transport aircraft. Since World War II and prior to the advent of the jet transport era, its only production of commercial aircraft was the twin-deck, four-engine, propeller-driven Model 377 Stratocruiser. In late 1945 and in 1946 orders were obtained for 55 Stratocruisers from six domestic and foreign airlines. These aircraft were delivered in 1949 and 1950 at a total loss to the Company of about $13,800,000 exclusive of applicable general and administrative and selling expenses. This loss resulted from a combination of unfavorable factors, including among others, a four-and-one-half months' strike at Seattle in 1948 and unforeseen delays in production schedules and in obtaining certification by the Civil Aeronautics Administration.

The Company's experience with the design, construction and flight testing of the four-engine jet tanker-transport prototype previously mentioned enabled it to offer a commercial jet transport aircraft to the commercial airlines based on actual flight performance of a prototype aircraft. In 1955 the Company obtained from the Government the right to use on a rental basis in the construction of commercial jet aircraft certain Government-owned land, buildings and general purpose machinery and equipment which are used by the Company in its other operations. The Company also obtained from the Government the right to use for the same purpose certain Government-owned jigs, dies, fixtures, special test equipment and other special tooling used by the Company in its KC-135 project, subject to the payment to the Government of an agreed portion of the estimated cost of such special tooling based upon the usage made thereof by the Company in the production of commercial aircraft and subject to the right of the Government to terminate such usage if it should interfere with present or future Government delivery schedules. The Company believes present Government schedules could be substantially accelerated without resulting in such interference.

The Company has now developed five versions of a four-engine jet transport aircraft which have been ordered by commercial airlines. Four of the versions are known as the Model 707, two of which are of extreme long range called the Intercontinental, and two of which are long range called the Stratoliner. The fifth version is of short-to-medium range and is known as the Model 720. The first order for Model 707 aircraft was obtained in October 1955, and 184 Model 707 and 720 jet transports have now been ordered by six United States and nine foreign airlines. In addition, the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives. Of these aircraft 164 are included in the Company's backlog of commercial orders at March 31, 1958, shown above.

The rollout (October 28, 1957) and first flight (December 20, 1957) of the first production jet transport, a Stratoliner, occurred ahead of the originally established schedule. This aircraft and the second and third production models had accumulated an aggregate of 354 hours of flight time by June 17, 1958. These three aircraft are undergoing extensive Civil Aeronautics Administration (CAA) certification test programs. It is the opinion of the Company that the substantial flight time of 942 hours (as of June 17, 1958) on the prototype will materially shorten the time which would otherwise be required to obtain CAA certification. The first certificated Stratoliner is scheduled by contract to be delivered in December 1958, the first Intercontinental in August 1959, and the first Model 720 in April 1960; however it is presently anticipated that the first certificated Stratoliner will be delivered prior to the contract date. The status of all commercial aircraft now in production is such that barring unforeseen difficulties deliveries thereof are expected to be made on or ahead of contract schedules.

Substantial advance payments are obtained from commercial customers prior to the commencement of and during the manufacture of the aircraft ordered. In connection with certain orders for Model 707 aircraft, the Company has entered into agreements relating to the purchase by the Company of sixteen used aircraft, under which the Company may, under certain conditions, have a maximum obligation of approximately $4,500,000. With respect to the sale of aircraft to certain airlines, the Company has agreed to accept interest-bearing notes for a limited portion of the sales price, the maturities of some of which extend up to seven years after delivery of the aircraft to which such notes relate.

Included in the above stated backlog of commercial orders are 33 Model 707 aircraft which the Hughes Tool Company has contracted to purchase at a total purchase price of about $166,000,000. Pursuant to the terms of the two contracts involved, each of which is assignable to Trans World Airlines, Hughes Tool Company has made advance payments aggregating about $39,000,000, but failed to make advance payments totalling about $4,900,000 due April 1, 1958. Additional payments totalling the same amount are due July 1, 1958. On April 1, 1958, the Hughes Tool Company advised the Company that it believed the Company was discriminating against the Hughes Tool Company and Trans World Airlines in its scheduled sequence of manufacture and delivery of Model 707 aircraft and was not fulfilling certain alleged oral representations with respect thereto, and that Hughes Tool Company was withholding payment of any further advance payments pending a satisfactory explanation and revision of such matters. Although several conferences have been held by representatives of the parties, it appears that there still exist some differences of opinion as to the existence and nature of the alleged discrimination and oral representations. The Company has been advised by its counsel that there is no merit to the position taken by the Hughes Tool Company and that, by reason of such non-payment, the Hughes Tool Company is in default in the performance of both contracts. The Company believes that the claims of the Hughes Tool Company are unfounded.

The design, production and sale of commercial aircraft has been and is a highly competitive business. The Model 707 and 720 transports are directly competitive with long and medium range jet transports being offered both in this country and in foreign countries by a number of domestic and foreign manufacturers.

The Company believes that it has made good progress in re-establishing itself in the commercial aircraft business. It plans to continue its development of advanced models of aircraft to meet the future requirements of the airlines and is currently conducting investigations and studies for this purpose. However, as previously pointed out, the development, testing, construction and marketing of new aircraft such as the Model 707 and 720 is a hazardous undertaking. The ultimate success of the Company in the commercial field will depend upon many things, including among others, the total quantity sold which in turn is dependent in part on the financial capabilities of the world's commercial airlines; whether the Company can produce the aircraft at costs reasonably within the limits of the estimates of cost used in establishing sales prices for the aircraft; the ability of the Company to obtain CAA certification of the aircraft within a reasonable period of time; and unforeseeable changes in general economic, industrial and international conditions or in legislative, governmental or administrative regulations which take place between the commencement of production and the delivery of aircraft.

**Employee Relations**

On June 1, 1958 the Company had slightly more than 90,000 employees, about two-thirds of whom were employed in the Seattle-Renton area. Substantially all factory employees at the Seattle, Renton and Wichita plants are represented by locals of the International Association of Machinists (A.F.L.-C.I.O.). Professional engineers (other than supervisory) at the Seattle and Renton plants are represented by the Seattle Professional Engineering Employees Association, and at Wichita by the Wichita Engineering Association. The Company has agreements with these and other unions covering wages, hours and other conditions of employment.

An agreement was recently reached with a lodge of the International Association of Machinists, covering about 36,000 employees in the State of Washington, which is subject to renewal or termination on April 22, 1960. The agreement provides for certain increases in wage rates effective May 23, 1958 and May 23, 1959, the aggregate of which are generally no greater than those granted in recent settlements by other major West Coast airframe companies. The agreement also provides for negotiation on the subject of wage rates, relating to the period after May 22, 1959, if request for such negotiation is made at least 60 days prior to that date, but without the right to strike in the event agreement as to change is not reached.

The agreement with a lodge of the International Association of Machinists covering about 17,000 employees at Wichita, is subject to renewal or termination on July 22, 1958, but provides for an automatic extension to August 22, 1958, if a new agreement has not been reached prior to July 22. The Company is currently engaged in negotiations with this union.

The other agreements are subject to renewal at various times during the year 1958 or subsequently, and provide that negotiations toward renewal may be opened in advance of the date for renewal.

There have been no work stoppages at Company plants since the strike at the Seattle plants which ended in September 1948.

The Company has in effect various benefit plans which form a comprehensive employee security program. These plans include a non-contributory trusteed retirement plan for employees, and group insurance plans which offer life, accident and hospital and surgical insurance to employees, and hospital and surgical insurance to their dependents. Reference is made to Note C to the financial statements for further information concerning the retirement plan.

An Incentive Compensation Plan for Officers and Employees of the Company was first adopted by the stockholders in 1947. The Plan provides in effect that in any year the Board of Directors may set aside a sum not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such sum awards are made by the Incentive Compensation Committee elected by the Directors to such officers and employees, and certain former employees and the survivors of certain deceased employees, as the Committee shall determine. The members of the Committee are not eligible to participate in any awards. No award in excess of 5% of the fund may be made in any one year to any one officer or employee. Awards of less than $500 and awards to former employees and the survivors of deceased employees are paid in cash. Awards of $500 or more after deductions required by federal or state statute are paid approximately one-half in cash and one-half in

Capital Stock at the market value thereof on the distribution date. However, the Plan provides that the Board of Directors may direct that a greater portion of any award shall be paid in Capital Stock if the Board determines that this is in the best interests of the Company. Awards for the year 1957, which were paid to the maximum extent possible under the Plan in full shares of Capital Stock, were made to 7,940 officers and employees in the aggregate amount of $3,994,390, of which $102,790 was paid to fifteen executive officers of whom six were also directors.

## DESCRIPTION OF PROPERTY

The following tabulation summarizes the approximate building and land areas of the principal operating properties of the Company showing the relationship between the Company-owned and Company-leased and Government-owned facilities operated by the Company under contract as of April 30, 1958. The tabulation also shows the approximate relationship between Company-owned and Government-owned machinery and equipment.

| | Company-Owned Facilities | | Government-Owned Facilities | | Facilities Leased from Others | | Ownership of Machinery and Equipment | |
|---|---|---|---|---|---|---|---|---|
| | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Company | Government |
| Seattle Area* | 4,671,029 | 233.59 | 3,420,790 | 147.21 | 1,334,346 | 230.17 | 40% | 60% |
| Renton Area | 741,861 | 68.17 | 2,333,430 | 92.99 | 33,581 | 41.39 | 60% | 40% |
| Wichita Area | 328,816 | 30.35 | 5,050,863 | 540.97 | 356,484 | 34.25 | 5% | 95% |
| Moses Lake Area* | — | — | 768,241 | 327.20 | — | — | 10% | 90% |
| | 5,741,706 | 332.11 | 11,573,324 | 1,108.37 | 1,724,411 | 305.81 | | |

* Certain land, buildings, and machinery and equipment owned by the Government and operated by the Company or leased from others located in the nearby communities of Auburn, Bellevue and Tacoma, Washington, and used for office, warehousing and other support functions for both Seattle and Renton operations, are included in the Seattle Area in the tabulation above. The Moses Lake facilities in eastern Washington are used for flight test and delivery of military aircraft.

In 1955, the Company embarked on a substantial program for expansion of its capital facilities, including a new Developmental Center at Seattle and a new manufacturing and office facility at Renton. These two facilities are now substantially completed and the others included in the program are nearing completion. The following tabulation shows the capital expenditures for each year during the period 1948 through 1957:

| Year | Gross Additions to Plant, Property and Equipment |
|---|---|
| 1948 | $ 1,142,341 |
| 1949 | 1,413,408 |
| 1950 | 2,908,571 |
| 1951 | 5,175,449 |
| 1952 | 6,675,358 |
| 1953 | 8,009,875 |
| 1954 | 5,061,959 |
| 1955 | 7,521,100 |
| 1956 | 30,847,605 |
| 1957 | 45,043,425 |
| Total | $113,799,091 |

During the ten-year period plant, property and equipment retirements aggregated $3,354,921.

Of the total additions to plant, property and equipment made during this period, the Company obtained Certificates of Necessity pursuant to which $45,706,749 of the cost of such additions is being amortized over sixty-month periods commencing as to each project with the month following the completion date of such project.

No runways and taxiways located on airport properties are included in the first tabulation under this heading, since all such facilities are used by the Company jointly with others. The Company's right of use of such facilities on Boeing Field, Seattle, Washington, is provided under a 75-year lease from King County, Washington, dated September 14, 1955, and the Company's right of use of such facilities at Renton, Washington is provided under a 5-year lease with the City of Renton dated June 1, 1955, which contains two options in the Company to extend the term for five

years on each option. At Wichita, Kansas, the Company's right of use of such facilities on the McConnell Air Force Base originated pursuant to an agreement with the Board of Park Commissioners of the City of Wichita dated April 10, 1939, and extends for such period of time as the Company continues to own, maintain and operate a factory for the manufacture of aircraft at the present location. The McConnell Air Force Base was acquired by the Government in 1951 subject to the Company's rights under the aforesaid agreement.

The facilities contracts between the Company and the United States Government, pursuant to which the Government furnishes to the Company the Government-owned land, buildings, and machinery and equipment referred to herein, provide for the use of such facilities with the approval of the Government on work for the Government without payment of any rental or usage charge, and are subject to termination at the convenience of the Government. Contract AF33(600)-36041, pursuant to which the Government furnishes to the Company approximately 26 acres of land, office and factory buildings having approximately 540,700 square feet of floor space, and certain machinery and equipment, all located in Seattle, Washington, does not presently authorize the use of facilities furnished thereunder on work other than for the Government. The other facilities contracts authorize the use of Government facilities furnished thereunder on non-Government contract work with the approval of the Government and upon the payment of rental charges for such use.

The facilities referred to above which are furnished to the Company under Contract AF33(600)-36041 were first made available to the Company in February 1958, and are presently being rehabilitated and modernized for use in the production of Bomarc missiles. It is anticipated that such facilities will be ready for full use early in 1959.

The Government furnishes to the Company certain office space, installations and equipment at various Air Force bases, of which the most substantial amount is at Cape Canaveral and Patrick Air Force Base, Florida, for use in missile testing.

The properties of the Company are generally well maintained and in good operating condition. The Company maintains a continuous program of improvements and modernization, but it cannot estimate the extent to which new developments in aircraft and missiles may make any of its properties obsolete.

Except for current taxes, assessments, rights of way and other restrictions which do not materially interfere with the use of its plants and properties, the Company knows of no material defects in title to the properties owned by it nor of any major encumbrances thereon. However, no special examination of title to properties has been made in connection with this offering.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the Company are:

| Name | Title |
|---|---|
| William M. Allen | President and Director |
| Wellwood E. Beall | Senior Vice President and Director |
| J. B. Connelly | Vice President—General Manager, Transport Division |
| Darrah Corbet | Director |
| C. L. Egtvedt | Chairman and Director |
| D. A. Forward | Director |
| Artemus L. Gates | Director |
| C. B. Gracey | Vice President—Operations |
| Fred P. Laudan | Vice President—Manufacturing and Director |
| A. F. Logan | Vice President—Labor Relations |
| George C. Martin | Vice President—General Manager, Seattle Division |

| Name | Title |
|---|---|
| J. P. Murray | Vice President—Eastern Representative |
| Evan M. Nelsen | Treasurer |
| Paul Pigott | Director |
| J. E. Prince | Vice President—Administration and Secretary |
| William G. Reed | Director |
| J. E. Schaefer | Vice Chairman and Director |
| Dietrich Schmitz | Director |
| N. D. Showalter | Vice President—General Manager, Wichita Division |
| Clyde Skeen | Controller |
| Edward C. Wells | Vice President—General Manager, Systems Management Office, and Director |
| Lysle A. Wood | Vice President—General Manager, Pilotless Aircraft Division |
| J. O. Yeasting | Vice President—Finance and Director |

All the executive officers named in the foregoing table have been actively engaged in the business of the Company for more than the past five years. Mr. Egtvedt devotes only a portion of his time to the Company's business and receives no compensation except director's fees.

Mr. D. A. Forward is a Senior Vice President of The First National City Bank of New York. The Company maintains a line of credit with and borrows money from that bank from time to time in the ordinary course of business. At June 16, 1958, the Company's borrowings from that bank aggregated $30,355,000.

## Remuneration of Directors and Officers

The following tabulation sets forth the aggregate remuneration paid by the Company during the year 1957 (1) to each director, and each of the three highest paid officers of the Company, whose aggregate direct remuneration exceeded $30,000 and (2) to all directors and officers of the Company as a group, and the estimated annual benefits each of such persons will be paid under the Company's Retirement Plan upon retirement at the normal retirement date and assuming no change in present rates of compensation:

| Name of Individual or Identity of Group | Capacities in which Remuneration was Received | Aggregate Direct Remuneration (1) | Estimated Annual Benefits upon Retirement |
|---|---|---|---|
| William M. Allen | President | $120,100 | $ 19,610 |
| Wellwood E. Beall | Senior Vice President | 83,660 | 25,375 |
| Fred P. Laudan | Vice President—Manufacturing | 46,520 | 11,390 |
| J. E. Schaefer | Vice Chairman (2) | 46,520 | 8,875 |
| Edward C. Wells | Vice President—Engineering | 68,645 | 22,385 |
| J. O. Yeasting | Vice President—Finance | 52,700 | 13,420 |
| Directors and Officers (including above) as a group | | 772,970 | 178,235 |

(1) The amounts shown in the column entitled "Aggregate Direct Remuneration" include awards made under the Incentive Compensation Plan for the year 1956 which were paid in the year 1957. The provisions of the Plan are briefly outlined under "Employee Relations".

(2) Mr. Schaefer was elected Vice Chairman of the Company on May 7, 1957. Prior thereto he had been Vice President—General Manager of the Wichita Division.

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The stockholders at the annual meeting on May 6, 1958, adopted a Stock Option Plan. Under the Plan an aggregate of not more than 200,000 shares of Capital Stock (subject to proportionate adjustment for future stock dividends, stock splits and other changes in Capital Stock) may be issued pursuant to options granted by a committee of directors, the members of which are ineligible to receive options, to officers and key employees of the Company at not less than 100% of the prevailing market price at the time each option is granted. Not more than 10% of the maximum number of shares that may be issued pursuant to options may be issued to any one officer or employee pursuant to options granted under the Plan, and no option may be exercised until the holder has remained in the employ of the Company for at least two years after the granting of the option. All options must be restricted stock options within the meaning of that term as used in Section 421 of the Internal Revenue Code, and no option may be granted which is exercisable more than ten years after the date it is granted. Stock issued upon the exercise of an option must be paid for in cash. No options have been granted under the Plan as of the date of this Prospectus.

### Ownership of Securities

On June 1, 1958 the officers and directors of the Company, as a group, owned beneficially, directly or indirectly, 79,536 shares of the Company's Capital Stock or 1.13% of the Capital Stock then outstanding.

## DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are to be issued under an Indenture to be dated July 1, 1958 between the Company and The Chase Manhattan Bank, Trustee. A copy of the Indenture in the form in which it will be executed is filed as an Exhibit to the Registration Statement. References are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such reference. Wherever a defined term is indicated, the definition thereof is contained in §1.01 of the Indenture.

The principal amount of Convertible Subordinated Debentures which may be issued under the Indenture is limited to $30,597,600. Such Debentures are to be unsecured obligations of the Company, maturing July 1, 1980 and bearing interest from July 29, 1958 at the rate specified on the cover page payable semi-annually on January 1 and July 1.

Principal and interest are payable at the principal office of the Trustee in the Borough of Manhattan, The City of New York (§7.03).

### Redemption

**Optional Redemption.** The Convertible Subordinated Debentures may be redeemed by lot at the option of the Company, as a whole at any time or in part from time to time (provided in either case that at the time the notice of redemption is first published it is not in default in the payment of any Senior Indebtedness), on any date prior to maturity, on not less than 30 days' nor more than 90 days' published notice, at the following redemption prices (expressed in percentages of the principal amount):

**IF REDEEMED DURING THE TWELVE MONTHS' PERIOD ENDING JULY 1,**

| Year | Percentage | Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|---|---|
| 1959 | | 1964 | | 1969 | | 1974 | |
| 1960 | | 1965 | | 1970 | | 1975 | |
| 1961 | | 1966 | | 1971 | | 1976 | |
| 1962 | | 1967 | | 1972 | | 1977 | |
| 1963 | | 1968 | | 1973 | | 1978 | |

and thereafter at 100% of the principal amount thereof, together with accrued interest to the date of redemption (§5.01(a) and §5.02).

**Sinking Fund Redemption.** The Convertible Subordinated Debentures are also redeemable by lot, on like notice, through the sinking fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, on January 1, 1968 and on each January 1 thereafter to and including January 1, 1979 (§5.01(b) and §5.02).

See "Certain Provisions of the Senior Debentures" for additional restrictions on the optional or sinking fund redemption of Convertible Subordinated Debentures.

### Sinking Fund

Prior to January 1, 1968 and prior to January 1 of each year thereafter to and including January 1, 1979 the Company will pay to the Trustee, as a mandatory sinking fund, $1,750,000 plus accrued interest on the Convertible Subordinated Debentures to be redeemed through the sinking fund. At its option the Company may make an additional sinking fund payment (provided that at the time notice thereof is first given to the Trustee the Company is not in default in the payment of any Senior Indebtedness) on or before the due date of any mandatory sinking fund payment in an amount up to but not exceeding $1,750,000. No optional sinking fund payment shall have the effect of reducing any mandatory sinking fund payment. The option to make such additional sinking fund payment is not cumulative and to the extent not exercised shall terminate (§6.01 and §6.02).

At its option the Company may make any mandatory sinking fund payment in whole or in part in cash or in Convertible Subordinated Debentures or by a credit for Convertible Subordinated Debentures previously converted or redeemed but not theretofore applied as a credit (other than those converted after being called for redemption through the sinking fund) (§6.04).

### Subordination

The payment of the principal of and premium, if any, and interest on the Convertible Subordinated Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, but this will not affect the obligation of the Company (except during default in the payment of any Senior Indebtedness) to make payments of principal, premium, if any, or interest on such Debentures. Upon the payment in full of all Senior Indebtedness, the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments applicable to Senior Indebtedness upon any dissolution, total liquidation or reorganization of the Company, whether in insolvency proceedings or otherwise, until the principal of and premium, if any, and interest on such Debentures shall have been paid in full (§3.02 and §3.03).

Senior Indebtedness is defined as all indebtedness (other than the Convertible Subordinated Debentures) incurred, assumed or guaranteed by the Company which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to such Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness (§1.01). The Senior Debentures are Senior Indebtedness within the meaning of this definition.

By reason of such subordination, in event of insolvency, creditors of the Company, other than holders of Senior Indebtedness and holders of Convertible Subordinated Debentures, may recover less, ratably, than holders of Senior Indebtedness, but more, ratably, than holders of such Debentures upon any such distribution of assets.

### Conversion Rights

The holder of any Convertible Subordinated Debenture has the right, at his option, at any time on or before July 1, 1980 (except that in case such Debenture shall be called for

redemption, such right shall terminate at the close of business on the tenth day prior to the date fixed for redemption) to convert such Debenture or any part of the principal amount thereof which is $100 or a multiple of $100 into shares of Capital Stock of the Company (as defined) at the conversion rate set forth on the cover page hereof (subject to adjustment) (§4.01, §4.04 and §4.05).

The Indenture contains provisions to protect the conversion rate against dilution by making appropriate adjustments therein upon the occurrence of certain events, including, among other things, the issuance of Capital Stock or securities convertible into Capital Stock and a reclassification or change of the Capital Stock. Any such adjustment will be based upon the consideration received for such Capital Stock or upon the conversion rate for such convertible securities. However, in making such adjustments, stock dividends of not more than 4% in any one year and not more than 12% in the aggregate shall be treated as though issued for a consideration equal to the market price of the Capital Stock on the date of declaration of such dividends to the extent such stock dividends have been "earned" within the meaning of the Indenture. Adjustments are cumulative but are required to be made only if the resulting change in the conversion rate is not less than 1/20th of a share of Capital Stock and need be made only to the largest possible multiple of 1/20th of a share. No adjustment is required to be made upon the issuance of up to 350,000 shares of Capital Stock appropriately adjusted for stock dividends, stock splits and stock consolidations, pursuant to the Company's Stock Option Plan or Incentive Compensation Plan (§1.01 and §4.05).

Upon conversion of any Convertible Subordinated Debenture, an appropriate cash payment will be made in lieu of issuing fractional shares of Capital Stock, but no adjustment will be made for interest accrued on any such Debenture or for dividends on any Capital Stock issued on conversion (§4.02 and §4.03).

Debentures may be presented for conversion at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

### Restriction on Additional Funded Indebtedness

The Company will not, nor will it permit any Subsidiary to, create, guarantee or assume any Funded Indebtedness (other than the Convertible Subordinated Debentures) unless immediately thereafter Consolidated Net Tangible Assets shall be at least 225% of Consolidated Funded Indebtedness (§7.08).

Funded Indebtedness is defined as debt of the Company or any Subsidiary which matures more than one year after the date such Funded Indebtedness is determined, but there is excluded from such definition, among other things, (a) debt secured by certain permitted encumbrances including purchase money mortgages or other liens created simultaneously with the acquisition or construction of property and encumbrances existing on any property at the time of acquisition, (b) debt secured by any encumbrance hereafter created on any unimproved property now owned by the Company, (c) debt secured by certain permitted encumbrances, including liens created under Regulation V of the Federal Reserve System or, under specified conditions, in connection with war or defense production, (d) debt, whether secured or unsecured, identified with government contracts for production, research or development, (e) debt incurred for the purpose of enabling the Company or a Subsidiary to hold or finance customers' paper arising out of the sale of products or merchandise and (f) debt hereafter incurred which is expressly subordinated to the Convertible Subordinated Debentures (§1.01).

Consolidated Net Tangible Assets is defined as the total assets of the Company and its Subsidiaries less current liabilities, amortization and depreciation reserves and other asset valuation reserves, treasury stock, intangible assets, write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost, and adjustments for minority interests, if any, in Subsidiaries (§1.01).

Subsidiary is defined as any corporation of which the Company or one or more of its other Subsidiaries owns more than 50% of the voting securities and whose accounts are customarily consolidated with those of the Company, but does not include a corporation substantially all of whose physical properties are outside the United States and Canada or which has been organized for the purpose of financing the sale or lease of aircraft or as a Western Hemisphere Trade Corporation (§1.01). The Indenture contains certain other restrictions relating to Subsidiaries, although the Company at present has no subsidiaries.

### Restriction on Dividends, Distributions and Certain Acquisitions

The Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares) or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings (as defined) subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness which has been converted into stock after such date), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan (§7.12).

See "Certain Provisions of the Senior Debentures" for further restrictions on dividends, distributions, purchases and redemptions.

### Concerning the Trustee

The Indenture provides that the Trustee, except during the existence of an Event of Default, shall undertake to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default the Trustee may exercise the rights and powers vested in it by the Indenture and shall use the same degree of care as a prudent man would exercise under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the powers vested in it unless offered reasonable indemnity by the Debentureholders (§10.01 and §10.02).

The holders of a majority of the aggregate principal amount of the Convertible Subordinated Debentures outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or to exercise any trust or power conferred on the Trustee (§9.09).

### Events of Default and Notice Thereof

The Indenture defines as an "Event of Default": 30 days' default in payment of interest; default in payment of principal or premium, if any; 30 days' default in payment of any sinking fund obligation; 90 days' default, after notice from the Trustee or the holders of at least 25% in principal amount of outstanding Convertible Subordinated Debentures, in performance of any other covenant; and certain events in bankruptcy, insolvency, or reorganization proceedings (§9.01).

The Indenture provides that the Trustee shall, within 90 days (exclusive of the periods of grace, if any, stated above) after the happening thereof, give due notice to the Debentureholders of any occurrence of any uncured Event of Default known to it. However, unless such default be the failure to pay the principal of or premium, if any, or interest on any of the Convertible Subordinated Debentures, or to pay a sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice

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is in the interests of the Debentureholders (§9.10). On or before April 15 in each year the Company must file with the Trustee an Officers' Certificate (as defined) with respect to the existence or absence of any default by the Company in the performance or fulfillment of certain covenants contained in the Indenture (§7.15). The Indenture does not require the furnishing of any periodic evidence to the Debentureholders as to the absence of default or as to compliance with the terms of the Indenture.

The Trustee or the holders of 25% of the Convertible Subordinated Debentures may declare the principal of any such Debentures due upon the happening of an Event of Default but the holders of a majority of such Debentures may waive any such default and rescind such declaration if the default is cured (§9.01). Debentureholders may not institute any proceedings to enforce the Indenture unless the Trustee refuses to act after request from the holders of 25% of such Debentures and a tender to the Trustee of reasonable indemnity, but any Debentureholder may enforce payment of principal of, premium, if any, and interest on his own Debenture when due (§9.06 and §9.07).

### Modification of the Indenture

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Convertible Subordinated Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing any of the provisions of the Indenture or modifying the rights of the holders of such Debentures or coupons; provided that no such supplemental indenture shall (a) extend the fixed maturity of any Convertible Subordinated Debentures, reduce the principal amount thereof, reduce any premium payable upon the redemption thereof, reduce the rate or extend the time of payment of interest thereon, or impair the right to convert such Debentures without the consent of the holder of each Convertible Subordinated Debenture so affected, or (b) reduce the aforesaid percentage of Debentureholders required to consent to any such supplemental indenture, without the consent of the holders of all such Debentures then outstanding (§13.02).

In addition, the Indenture provides that the Company and the Trustee may execute supplemental indentures without the consent of the Debentureholders in order to provide security for the Convertible Subordinated Debentures, or to add additional covenants, restrictions, conditions or provisions for the protection of Debentureholders, or to clarify ambiguous provisions in the Indenture, or to make such other provisions as the Company may deem desirable which shall not be inconsistent with the provisions of the Indenture or of any supplemental indenture and which shall not adversely affect the interests of Debentureholders (§13.01).

## CERTAIN PROVISIONS OF THE SENIOR DEBENTURES

As previously mentioned under the heading "Sale of Senior Debentures" in this Prospectus, the Company has authorized the issue of $60,000,000 principal amount of Sinking Fund Debentures, due August 1, 1978. These Senior Debentures are to be issued under an Indenture dated August 1, 1958 between the Company and City Bank Farmers Trust Company, Trustee. A copy of such Indenture in the form in which it is to be executed is an Exhibit to the Registration Statement. A separate Prospectus summarizes the provisions of such Indenture and the rights of holders of the Senior Debentures.

The Indenture under which the Senior Debentures are to be issued provides that the Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares), or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class or any subordinated

indebtedness, including the Convertible Subordinated Debentures, if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness other than the Convertible Subordinated Debentures which has been converted into such stock), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan. This restriction will not prevent, among other things, the making of any sinking fund or similar payment required to be made by the terms of any subordinated indebtedness, including the Convertible Subordinated Debentures.

The Senior Debentures may be redeemed at the option of the Company in whole or in part at any time at specified redemption premiums. In addition, the Senior Debentures are entitled to the benefits of a sinking fund requiring the annual retirement, beginning in 1964, of $4,000,000 principal amount of Senior Debentures and, at the option of the Company, not more than an additional $4,000,000 principal amount annually.

## DESCRIPTION OF CAPITAL STOCK

The total authorized shares of Capital Stock of the Company is 10,000,000 of the par value of $5 each.

Subject to the restrictions on dividends set forth above under "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures", holders of the Capital Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. The amount of retained earnings at December 31, 1957 which will be available for payment of dividends under the foregoing restrictions was $10,000,000.

Stockholders are entitled to one vote for each share and to vote cumulatively for directors. Upon liquidation stockholders are entitled to share ratably in the assets available for distribution. The Capital Stock has such preemptive or subscription rights as are accorded by the common law of Delaware except that under its Certificate of Incorporation the Company may issue and sell to officers and employees, free of preemptive rights, up to 200,000 shares plus additional amounts determined on the basis of stock dividends after April 24, 1956, applied to the then unissued balance of such shares. After giving effect to the declaration of stock dividends subsequent to such date and to the issuance of 103,312 shares of Capital Stock in payment of awards under the Company's Incentive Compensation Plan, the number of shares of Capital Stock presently available for issuance to officers and employees of the Company under the Certificate of Incorporation free from preemptive rights is 274,513.

The shares issued upon conversion of the Convertible Subordinated Debentures in accordance with their terms will be fully paid and non-assessable.

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## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below have severally agreed to purchase from the Company, and the Company has agreed to sell to them severally, at the Subscription Price set forth on the cover of this Prospectus, plus accrued interest from the date of the expiration of the Subscription Offer, the respective percentages set forth below of such of the Convertible Subordinated Debentures as shall not be subscribed for through the exercise of Rights (the Unsubscribed Debentures).

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Harriman Ripley & Co., Incorporated | 63 Wall Street, New York 5, N. Y. | % |
| Blyth & Co., Inc. | 14 Wall Street, New York 5, N. Y. | |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| | Total | % |

In the Underwriting Agreement, the Company agrees to pay the Underwriters an amount equal to

The Underwriting Agreement provides that the several obligations of the Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The Underwriting Agreement may be terminated by the Underwriters if at any time prior to the delivery of the Unsubscribed Debentures trading in securities on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established.

In connection with the sale of Convertible Subordinated Debentures by Underwriters, concessions may be allowed to certain dealers, including Underwriters, of not in excess of ........%, and reallowances may be allowed to other dealers of not in excess of ........%.

## LEGAL OPINIONS

Legal matters in connection with the issuance of the Senior Debentures, the Convertible Subordinated Debentures and the Capital Stock issuable upon conversion of the Convertible Subordinated Debentures will be passed upon by Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, for the Company, and by Davis Polk Wardwell Sunderland & Kiendl, 15 Broad Street, New York 5, New York, for the Underwriters.

## EXPERTS

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in this Prospectus and in the Preliminary Summary Prospectus under the heading "Summary of Net Earnings and Retained Earnings" insofar as they relate to the years 1948 through 1957 have been reviewed by Touche, Niven, Bailey & Smart, independent certified public accountants, and have been included herein and in the Preliminary Summary Prospectus and in the Registration Statement in reliance upon the opinions of said firm set forth in its reports contained in this Prospectus and in the Registration Statement and upon the authority of said firm as experts in auditing and accounting.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Preliminary Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
June 23, 1958

# BOEING AIRPLANE COMPANY

## BALANCE SHEET

## December 31, 1957

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | | $ 45,147,394 |
| Trade accounts receivable— | | |
| United States | $ 17,370,107 | |
| Other | 3,682,047 | 21,052,154 |
| Other accounts receivable | | 279,786 |
| Estimated balances receivable from the United States— | | |
| For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees | $113,056,099 | |
| For deliveries under contracts for which unit prices have not been established or revised | 51,258,608 | 164,314,707 |
| Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries (Note D) | $654,218,996 | |
| Less advances and progress payments received and accrued | 492,629,759 | 161,589,237 |
| Inventories of parts and materials at the lower of average cost or market | | 14,482,918 |
| Prepaid expenses | | 2,259,755 |
| **Total Current Assets** | | $409,125,951 |
| **Property, Plant, and Equipment, at cost (Note B):** | | |
| Land ($3,689,331) and buildings | $ 82,662,987 | |
| Machinery, tools, and equipment | 46,150,175 | |
| | $128,813,162 | |
| Less allowance for accumulated depreciation and amortization | 46,910,402 | 81,902,760 |
| | | $491,028,711 |

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Notes payable to banks | | $110,000,000 |
| Accounts payable— | | |
| Trade accounts | $109,750,621 | |
| Other | 541,780 | 110,292,401 |
| Salaries and wages | | 40,797,421 |
| Payroll, property, and excise taxes | | 5,562,012 |
| Incentive compensation for officers and employees | | 3,995,000 |
| Payable to Trustee under retirement plan (Note C) | | 3,702,162 |
| Allowance for 1954 renegotiation, net of taxes (Note A) | | 4,637,956 |
| Federal and state taxes on income | | 33,140,811 |
| **Total Current Liabilities** | | $312,127,763 |
| **Stockholders' Investment:** | | |
| Capital stock, par value $5 a share— | | |
| Authorized—10,000,000 shares | | |
| Issued and outstanding—6,953,583 shares at stated value (Note E) | $ 94,834,035 | |
| Retained earnings (after transfer to the capital stock account of $78,640,468) (Notes A and F) | 84,066,913 | 178,900,948 |
| **Contingent Liabilities** (Notes A and C) | | |
| | | $491,028,711 |

See notes to financial statements.

# BOEING AIRPLANE COMPANY

## STATEMENT OF NET EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Sales (Notes A and D) | $853,827,722 | $1,006,356,748 | $1,596,508,515 |
| Other income | 776,542 | 1,168,142 | 762,052 |
| | $854,604,264 | $1,007,524,890 | $1,597,270,567 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the year (Note D) | $764,603,371 | $ 905,184,904 | $1,466,056,710 |
| Research and developmental expenses | 8,411,913 | 12,458,306 | 19,646,115 |
| General and administrative expenses | 9,408,434 | 9,855,834 | 13,016,688 |
| Depreciation and amortization (Note B) | 4,925,358 | 6,237,686 | 12,422,205 |
| Incentive compensation for officers and employees | 3,250,000 | 3,866,000 | 3,995,000 |
| Other expenses | 1,292,754 | 2,215,562 | 2,468,743 |
| Interest expense | 71,023 | 571,609 | 2,005,399 |
| | $791,962,853 | $ 940,389,901 | $1,519,610,860 |
| **Earnings Before Taxes on Income (Note A)** | $ 62,641,411 | $ 67,134,989 | $ 77,659,707 |
| Federal and state taxes on income: | | | |
| Federal normal income tax and surtax | $ 31,950,000 | $ 34,750,000 | $ 39,090,000 |
| State income taxes | 300,000 | 250,000 | 410,000 |
| | $ 32,250,000 | $ 35,000,000 | $ 39,500,000 |
| **Net Earnings (Note A)** | $ 30,391,411 | $ 32,134,989 | $ 38,159,707 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Balance at January 1 (Note A) | $ 40,998,806 | $ 60,810,877 | $ 61,547,911 |
| Net earnings for the year (Note A) | 30,391,411 | 32,134,989 | 38,159,707 |
| | $ 71,390,217 | $ 92,945,866 | $ 99,707,618 |
| Cash dividends paid | $ 10,579,340 | $ 8,162,577 | $ 6,681,281 |
| Amount transferred to the capital stock account by the Board of Directors: | | | |
| Two-for-one stock split | — | 16,339,924 | — |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | — | 6,895,454 | 8,959,424 |
| | $ 10,579,340 | $ 31,397,955 | $ 15,640,705 |
| Balance at December 31 (Notes A and F) | $ 60,810,877 | $ 61,547,911 | $ 84,066,913 |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**Note A—Renegotiation:**

See Note 1 to "Summary of Net Earnings and Retained Earnings".

**Note B—Property, Plant, and Equipment:**

Included in property, plant, and equipment at December 31, 1957 are fully amortized facilities and fully depreciated assets in the amount of $17,484,695, which facilities were largely in use.

Depreciation is computed on cost. The "straight-line" method is used for all assets acquired prior to January 1, 1954. Substantially all assets acquired subsequent to that date are depreciated under the "sum-of-the-years-digits" method. The rates employed are such as will accumulate depreciation equal to cost over the estimated useful lives of the assets. The asset lives used for depreciation computations are as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and building equipment | 10 to 40 years |
| Factory machinery | 9 to 15 years |
| Shop equipment and tools | 3⅓ to 8 years |
| Other equipment | 1½ to 12½ years |

Amortization of leasehold improvements is based on the shorter of the physical life of the improvements or the period of the lease.

The Company has obtained Certificates of Necessity from the United States Government covering certain facilities acquired during the present emergency period. The certified portion of such facilities is being amortized over sixty-month periods for both accounting and tax purposes.

Maintenance and repairs are charged directly to costs or expenses as incurred. Equipment of only nominal value and renewals and betterments that do not appreciably extend the life of the asset are charged directly to costs or expenses.

Fully depreciated or fully amortized assets which are no longer on hand or are not identifiable are written off by charges to the allowance for accumulated depreciation and amortization. Amounts received on the disposal of fully depreciated or fully amortized assets are taken into income and the costs of such assets and related allowances for accumulated depreciation and amortization are removed from the accounts. When assets which are not fully depreciated are retired or disposed of, the costs of such assets are removed from the accounts and the related allowances for accumulated depreciation are adjusted for the difference between the asset balance and the amount received or salvage value, no profit or loss being recorded. When facilities acquired during the present emergency period with respect to which Certificates of Necessity have been obtained are retired or disposed of, the costs of such facilities and the related accumulated depreciation and amortization are removed from the accounts and the resulting profit or loss is included in the statement of net earnings.

**Note C—Retirement Plan:**

Effective as of January 1, 1955 the Company adopted a non-contributory retirement plan covering all employees who have met the eligibility requirements. The plan is administered by a Retirement Committee appointed by the Board of Directors. Contributions are made by the Company to trustees who shall hold, invest, and distribute the assets of the trust as required by the plan.

The plan provides for normal retirement at age 65 with provision for retirement either earlier or later than normal. Benefits at normal retirement are based on credited service rendered after the attainment of age 30 and completion of three years of service. Basic benefits are based on credited service. Supplemental benefits are related to the monthly earnings of the employee. A portion of the supplemental benefits of the plan will be variable and related to the earnings of the applicable fund and the mortality experience of the group eligible to receive supplemental benefits. The maximum annual pension under the plan is $30,000.

The following charges were made in the accounts to record Company contributions for the three years ended December 31, 1957:

| | Current Service | Past Service | Total |
|---|---|---|---|
| Year ended December 31, 1955 | $ 6,703,518 | $1,635,487 | $ 8,339,005 |
| Year ended December 31, 1956 | 8,377,844 | 1,635,487 | 10,013,331 |
| Year ended December 31, 1957 | 10,066,505 | 1,635,487 | 11,701,992 |

The Company intends to make contributions to the trust for past service costs and interest on the unfunded balances over a period of approximately twelve years commencing with the year 1955. At December 31, 1957 the past service liability not recognized in the accounts was estimated at $12,800,000.

**Note D—Inventories:**

Accumulated charges at December 31, 1957 included amounts relating to items to which the United States Government held title by reason of contract provisions.

Inventories and accumulated charges on fixed-price type contracts used in the computation of cost of sales shown on the statement of net earnings are as follows:

| | |
|---|---|
| January 1, 1955 | $350,897,520 |
| December 31, 1955 | 531,275,580 |
| December 31, 1956 | 663,278,820 |
| December 31, 1957 | 668,701,914 |

Sales are recorded under all fixed-price type contracts at the time completed units are delivered. In determining the amounts at which sales under contracts containing price revision provisions are recorded, consideration is given to the estimated adjustments, if any, that may result at the time final contract prices are negotiated. Under cost-plus-a-fixed-fee and incentive-fee contracts, sales include costs considered reimbursable together with applicable fees.

Cost of sales under all fixed-price type contracts is computed on the basis of the estimated cost (average total contract basis) of deliveries, such estimates being revised periodically so that they approach actual average costs as the contracts progress to completion. Under cost-plus-a-fixed-fee and incentive-fee contracts, cost of sales includes applicable expenditures made or accrued.

**Note E—Capital Stock Account and Stock Option Plan:**

Changes in the capital stock account during the three years ended December 31, 1957 were as follows:

| | Shares | Amount |
|---|---|---|
| Balance at January 1, 1955 | 3,246,436¾ | $60,000,000 |
| Shares issued to officers and employees at market value under the Incentive Compensation Plan— | | |
| 1955 | 11,689 | 968,732 |
| 1956 | 9,859 | 739,425 |
| 1957 | 19,448 | 931,076 |
| Shares issued in 1956 to effect a two-for-one stock split and amount transferred to the capital stock account by the Board of Directors | 3,267,984¾ | 16,339,924 |
| Shares issued as stock dividends and amounts transferred to the capital stock account by the Board of Directors, equal to the market value on declaration dates adjusted for the stock dividend— | | |
| 1956 | 130,720 | 6,895,454 |
| 1957 | 267,445½ | 8,959,424 |
| Balance at December 31, 1957 | 6,953,583 | $94,834,035 |

Stockholders adopted a Stock Option Plan May 6, 1958. For information regarding this Plan reference is made to the heading "Remuneration of Directors and Officers" in this Prospectus.

**Note F—Dividend Restrictions:**

For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

**Note G—Supplementary Profit and Loss Information:**

The amounts of certain expenses incurred during the three years ended December 31, 1957 are tabulated below. All items included in this tabulation were either included in overhead expenses, substantially all of which were distributed to contracts, or were charged to contracts directly except that a portion of amortization in excess of normal depreciation was charged directly to income as follows: 1955, $1,037,691; 1956, $1,176,667; 1957, $1,686,352.

| Item | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Maintenance and repairs | $19,460,361 | $20,917,108 | $20,551,774 |
| Depreciation and amortization of property, plant, and equipment | 4,925,358 | 6,237,686 | 12,422,205 |
| Taxes, other than income taxes: | | | |
| Payroll taxes | 9,739,011 | 11,445,524 | 16,369,938 |
| Sales and business taxes | 2,218,726 | 3,407,296 | 5,138,519 |
| Real estate and personal property taxes | 1,155,638 | 1,150,242 | 1,863,657 |
| State franchise and miscellaneous taxes | 16,759 | 28,760 | 25,971 |
| Rents: | | | |
| Equipment (principally data-processing machines) | 1,405,066 | 1,999,288 | 5,514,119 |
| Ground, buildings, and miscellaneous | 1,254,999 | 1,534,992 | 2,238,928 |
| Royalties | 77,857 | 45,798 | 136,771 |

There are no material amounts to which the Company is committed under leases having terms in excess of three years.

# PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 31(b).** ***Exhibits:***

| | |
|---|---|
| **14** | Preliminary Summary Prospectus. |

## SIGNATURES

**Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 30th day of June, 1958.**

BOEING AIRPLANE COMPANY

ORVILLE E. MELBY

**Orville E. Melby, Assistant Treasurer**

**Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.**

| Signature | Title | Date |
|---|---|---|
| WILLIAM M. ALLEN* | President and Director | June 30, 1958 |
| J. O. YEASTING* | Vice President—Finance and Director | |
| CLYDE SKEEN* | Controller | |
| WELLWOOD E. BEALL* | Director | |
| DARRAH CORBET* | Director | |
| C. L. EGTVEDT* | Director | |
| D. A. FORWARD* | Director | |
| ARTEMUS L. GATES* | Director | |
| FRED P. LAUDAN* | Director | |
| PAUL PIGOTT* | Director | |
| W. G. REED* | Director | |
| J. E. SCHAEFER* | Director | |
| DIETRICH SCHMITZ* | Director | |
| EDWARD C. WELLS* | Director | |

*By ORVILLE E. MELBY

**Orville E. Melby, Attorney-in-fact**

3-28

✓

Registration No. 2-14218

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 25, D. C.

## AMENDMENT NO. 2

TO

## FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

---

# Boeing Airplane Company

(Exact name of registrant as specified in charter)

---

7755 East Marginal Way, Seattle 24, Washington

(Address of principal executive offices)

J. O. Yeasting, *Vice President—Finance*
7755 East Marginal Way
Seattle 24, Washington

J. P. Murray, *Vice President—Eastern Representative*
1625 K Street N. W.
Washington 6, D. C.

(Name and address of agent for service)

---

Amending Prospectus, Items 23 and 29, and Exhibit 4(b)

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PRELIMINARY PROSPECTUS DATED JULY 10, 1958

**PROSPECTUS**

## $30,597,600

# Boeing Airplane Company

### ----% Convertible Subordinated Debentures, due July 1, 1980

**(to bear interest from July 29, 1958)**

Convertible until maturity, unless previously redeemed, into Capital Stock at the conversion rate of ............ shares of Capital Stock for each $100 principal amount of Debentures (equivalent to a conversion price of $.......... per share), subject to adjustment in certain events.

As more fully set forth herein, the Company is offering to the holders of its outstanding Capital Stock of record at the close of business on July 15, 1958 the right to subscribe for these Debentures in the ratio of $100 principal amount of Debentures for each 23 shares of Capital Stock held on such record date. The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958.

The Company has applied for the listing of the Convertible Subordinated Debentures on the New York Stock Exchange.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

| | Subscription Price | Underwriting Commissions(1) | Proceeds to Company(2) |
|---|---|---|---|
| Per Unit ($100 principal amount) .................. | $100 | | |
| Total .......................... | $30,597,600 | | |

**(1) The Company has agreed to indemnify the Underwriters against certain liabilities.**

**(2) Plus accrued interest from July 29, 1958 on Unsubscribed Debentures and before deduction of expenses of the Company estimated at $229,374.**

During and after the expiration of the Subscription Offer, the several Underwriters may offer Convertible Subordinated Debentures (including Debentures acquired or to be acquired through the purchase and exercise of Rights or otherwise) to the public at prices which it is intended shall not be increased more frequently than once each day and shall not be less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) nor more than the highest known price at which the Convertible Subordinated Debentures are then being offered by a dealer not participating in the distribution to other dealers plus the amount of any concession allowed to dealers. As a result, the Underwriters may realize profits or losses independent of the underwriting compensation stated above.

**Harriman Ripley & Co.**
Incorporated

**Blyth & Co., Inc.**

The date of this Prospectus is July , 1958.

**No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any state to any person to whom it is unlawful to make such an offer or solicitation.**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CONVERTIBLE SUBORDINATED DEBENTURES, CAPITAL STOCK AND RIGHTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SUBSCRIPTION OFFER

Boeing Airplane Company (herein called "the Company") hereby offers to the holders of its Capital Stock of record at 3:30 p. m. Eastern Daylight Saving Time on July 15, 1958 the right to subscribe for its % Convertible Subordinated Debentures, due July 1, 1980 (herein called "Convertible Subordinated Debentures"), at a Subscription Price of 100% of the principal amount subscribed and at the rate of $100 principal amount of Convertible Subordinated Debentures for each 23 shares of Capital Stock held on the record date.

**Warrants:** Rights to subscribe are evidenced by fully transferable Warrants. One Right will be issued for each full share of Capital Stock held on the record date, and 23 Rights will be required to subscribe for each $100 principal amount of Convertible Subordinated Debentures. Subscriptions will be accepted only for $100 principal amount of Convertible Subordinated Debentures or multiples thereof. Instructions for the use and disposition of the Warrants are set forth on the reverse side thereof.

**Expiration Date:** The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958, and Warrants will become void if not exercised by that time.

**Method of Subscription:** Subscriptions are to be made by filling out and signing the subscription agreement (Form 1) on the face of the Warrant and delivering the Warrant, accompanied by full payment of the Subscription Price, to the Subscription Agent, City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, New York, by 3:30 p. m. Eastern Daylight Saving Time on the Expiration Date. Payment of the Subscription Price must be made in United States dollars and may be in cash or by check or bank draft drawn on a bank in the continental United States or by postal or express money order, payable to the order of City Bank Farmers Trust Company, Agent, or Boeing Airplane Company. If, on or prior to the Expiration Date, the Agent shall actually receive, by telegram or otherwise, payment of the full Subscription Price for Convertible Subordinated Debentures subscribed for, together with a telegram or letter from a bank or broker guaranteeing delivery of the Warrant or Warrants, designated by serial number, such subscription will be accepted subject to receipt by the Agent of the duly executed Warrant or Warrants.

**Purchase and Sale of Rights:** It is expected that the Rights will be traded on the New York Stock Exchange. Rights may be purchased or sold through the usual investment channels. Arrangements have been made with the Subscription Agent whereby a Warrant holder may sell Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23. This service will be rendered by the Subscription Agent, as agent for the Warrant holders, without charge to the Warrant holders (other than the cost of Rights purchased), as the Company will assume all brokerage commissions, transfer taxes and fees and expenses of the Agent. The Subscription Agent may offset buying and selling orders, and the Subscription Agent's execution of other orders is subject to the Subscription Agent's ability to find a buyer or seller.

**Delivery of Convertible Subordinated Debentures:** Convertible Subordinated Debentures in definitive or temporary form will be delivered on or as soon as practicable after the Expiration Date, provided checks given in payment of the Subscription Price and the cost of any Rights purchased have first been cleared.

**Foreign Stockholders:** Warrants will not be mailed to stockholders with A. P. O. or F. P. O. addresses or with addresses outside the continental United States or Canada, but will be held for their accounts by the Agent until 12 noon Eastern Daylight Saving Time on the last business day preceding the Expiration Date, at which time, in the absence of contrary instructions, they will be sold if feasible and the net proceeds distributed to such stockholders.

## SALE OF SENIOR DEBENTURES

The Company has filed a Registration Statement covering $60,000,000 principal amount of ........% Sinking Fund Debentures, due August 1, 1978 (herein called "Senior Debentures" or "Sinking Fund Debentures") which it is proposed will be offered for sale to the public through underwriters by means of a separate prospectus on or about the date the Convertible Subordinated Debentures, to which this Prospectus relates, are first offered to the holders of the Company's Capital Stock. Delivery of and payment for the Senior Debentures will be contingent upon the receipt by the Company of the proceeds from the sale of all the Convertible Subordinated Debentures.

## APPLICATION OF PROCEEDS

The recent growth of the Company's business, as evidenced by the "Summary of Net Earnings and Retained Earnings" herein, coupled with the Government's recent reductions of progress payment and cost reimbursement percentages (hereinafter described), is requiring increased amounts of working capital. Also, during the years 1956 and 1957 the Company expended over $75,000,000 for new capital facilities. As a consequence, at June 16, 1958, the Company had outstanding short-term bank loans of $115,000,000 under open lines of credit aggregating $150,000,000. It is expected that a substantial portion of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures will be used to reduce the aforementioned bank loans.

It is presently anticipated that during the years 1958 and 1959 the Company's expenditures for additions and improvements to its properties and facilities will be roughly equivalent to the estimated aggregate charges of about $40,000,000 for depreciation and amortization for those two years. However, the Company believes that it will require additional funds principally for work in process inventories and receivables. Any balance of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures not applied to the reduction of bank loans will be available, together with retained earnings, for such inventories and receivables. The Company expects to obtain any additional funds which may be required through bank borrowings. However, it may obtain all or a part thereof from other borrowings or from the sale of securities.

## CAPITALIZATION

The capitalization of the Company as of March 31, 1958, and as adjusted to give effect as of that date to the sale of the Senior Debentures and the Convertible Subordinated Debentures, is as follows:

| | Outstanding as of March 31, 1958 | As Adjusted |
|---|---|---|
| **Funded Debt:** | | |
| ......% Sinking Fund Debentures, due 1978, authorized $60,000,000 | None | $60,000,000 |
| ......% Convertible Subordinated Debentures, due 1980, authorized $30,597,600 | None | 30,597,600 |
| Total Funded Debt | None | $90,597,600 |
| **Stockholders' Investment:** | | |
| Capital Stock, par value $5 a share—authorized 10,000,000 shares(1); issued and outstanding 7,037,447 shares at stated value(2) | $ 97,884,588 | $ 97,884,588 |
| Retained earnings(3) (4) | 91,827,706 | 91,827,706 |
| Total Stockholders' Investment | $189,712,294 | $189,712,294 |

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(1) Of the authorized unissued shares, 274,513 shares are available for issuance under the Company's Stock Option and Incentive Compensation Plans (hereinafter described) free from preemptive rights of stockholders, and .............. additional shares are reserved for issuance upon conversion of the Convertible Subordinated Debentures.

(2) In March 1958, the Company issued 83,864 shares of Capital Stock pursuant to the Incentive Compensation Plan and $3,050,553 was credited to the Capital Stock account by reason thereof.

(3) See Note 1 to "Summary of Net Earnings and Retained Earnings" herein.

(4) For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

The Company has an open line of credit aggregating $150,000,000 with a group of seventeen banks. The credit is on an annual review basis and there is no commitment fee. Borrowings are evidenced by unsecured 90-day notes bearing interest at the prime rate in effect at the time of such borrowings. At June 16, 1958, $115,000,000 of borrowings were outstanding against this line of credit.

## PRICE RANGE OF CAPITAL STOCK

The following tabulation sets forth the reported high and low sales prices of the Company's Capital Stock on the New York Stock Exchange from January 1, 1948 through July 8, 1958, adjusted (to the nearest one-eighth) to reflect the three-for-two stock split in May 1952, the two-for-one stock split in May 1954, and the two-for-one stock split in August 1956. The prices are not adjusted for dividends paid in Capital Stock as follows: 1956—2%, and 1957—4%.

| Calendar Year | High | Low | Calendar Year | High | Low |
|---|---|---|---|---|---|
| 1948 | 4⅞ | 3¼ | 1954 | 37½ | 11⅝ |
| 1949 | 4¼ | 3 | 1955 | 44¼ | 27⅜ |
| 1950 | 7 | 3⅞ | 1956 | 65⅜ | 34⅝ |
| 1951 | 9⅜ | 6½ | 1957 | 61⅛ | 29 |
| 1952 | 10⅜ | 7½ | 1958 (through July 8) | 44⅞ | 34⅛ |
| 1953 | 12⅝ | 9⅛ | | | |

The last sale price on the New York Stock Exchange on July 8, 1958, was $44.25.

## SUMMARY OF NET EARNINGS

The following summary of net earnings and retained earnings for the ten years ended December 31, 1957 has been prepared from financial statements which have been examined by Touche, Niven, Bailey & Smart, independent certified public accountants, as set forth in their report appearing elsewhere in this Prospectus. Information contained in the summary for the three-month periods ended March 31, 1957 and March

| | 1948 | 1949 | 1950 | 1951 |
|---|---|---|---|---|
| | | | (Notes 1 and 2) | |
| Sales | $126,932 | $286,752 | $307,251 | $337,301 |
| Other income | 373 | 261 | 555 | 656 |
| | $127,305 | $287,013 | $307,806 | $337,957 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the period | $120,196 | $273,224 | $276,711 | $308,734 |
| Research and developmental expenses | 440 | 525 | 1,102 | 1,439 |
| General and administrative expenses | 1,780 | 2,368 | 3,145 | 4,759 |
| Depreciation and amortization | 664 | 713 | 804 | 1,198 |
| Incentive compensation for officers and employees | 180 | 500 | 1,400 | 1,100 |
| Other expenses | 722 | 750 | 305 | 453 |
| Interest expense | 422 | 942 | 112 | 433 |
| | $124,404 | $279,022 | $283,579 | $318,116 |
| **Earnings before Taxes on Income** | $ 2,901 | $ 7,991 | $ 24,227 | $ 19,841 |
| Federal and state taxes on income: | | | | |
| Federal excess profits tax | $ — | $ — | $ 2,520 | $ 2,540 |
| Federal and state income taxes | 1,185 | 3,580 | 10,880 | 10,160 |
| | $ 1,185 | $ 3,580 | $ 13,400 | $ 12,700 |
| **Net Earnings** | $ 1,716 | $ 4,411 | $ 10,827 | $ 7,141 |
| Retained earnings at beginning of period | 29,258 | 30,520 | 32,766 | 40,346 |
| | $ 30,974 | $ 34,931 | $ 43,593 | $ 47,487 |
| Cash dividends paid | $ 1,083 | $ 2,165 | $ 3,247 | $ 3,247 |
| Amounts transferred to the capital stock account by the Board of Directors: | | | | |
| Stock splits (three-for-two in 1952; two-for-one in 1954 and 1956) | | | | |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | | | | |
| Restoration of unnecessary portion of reserve for contract adjustments and indeterminate expenses | (629) | | | |
| | $ 454 | $ 2,165 | $ 3,247 | $ 3,247 |
| Retained earnings at end of period | $ 30,520 | $ 32,766 | $ 40,346 | $ 44,240 |
| Net earnings per share (Note 3) | $0.25 | $0.64 | $1.57 | $1.04 |
| Cash dividends per share (Note 3) | 0.16 | 0.31 | 0.47 | 0.47 |

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**Notes to Summary**

1. Unilateral determinations of excessive profits have been made by the Renegotiation Board for the years 1952, 1953 and 1954, of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. The required net refunds, amounting after credits for applicable federal income and excess profits taxes to $2,946,702, $2,057,793, and $4,637,956, respectively, have been paid or provided for in the accounts. Financial data shown in the above summary have been restated to give effect to the refunds in the applicable years, except that the refund for the year 1952 has been reduced by an allowance of $1,200,000, net of taxes, which was originally provided in the year 1950. Petitions have been filed with the Tax Court of the United States for redetermination of the Board's orders for the years 1952, 1953 and 1954.

The Company does not know and cannot reasonably predict what the Board's actions will be for the years subsequent to 1954. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for years subsequent to 1954 or for the three months ended March 31, 1958.

2. In 1950 the accounting policy of the Company was changed to accrue all applicable fees on cost-plus-a-fixed-fee contracts. Under the former policy the withheld portion of such fees was not accrued until collectible. The effect of the change was to increase sales for 1950 by $1,445,785 and net earnings by $691,230.

## AND RETAINED EARNINGS

31, 1958 has been prepared from financial statements of the Company not examined by independent accountants, but the management of the Company believes that all adjustments necessary to a fair summary of the results for such three-month periods have been included. The summary is subject to, and should be read in conjunction with, the financial statements and related notes included elsewhere in this Prospectus.

In thousands of dollars

| Year ended December 31, 1952 (Note 1) | 1953 (Note 1) | 1954 (Note 1) | 1955 (Note 1) | 1956 (Note 1) | 1957 (Note 1) | Three months ended March 31, 1957 (without audit) (Note 1) | 1958 (without audit) (Notes 1 and 4) |
|---|---|---|---|---|---|---|---|
| $731,688 | $912,431 | $1,023,514 | $853,828 | $1,006,357 | $1,596,509 | $292,712 | $411,052 |
| 747 | 1,125 | 1,047 | 776 | 1,168 | 762 | 151 | 45 |
| $732,435 | $913,556 | $1,024,561 | $854,604 | $1,007,525 | $1,597,271 | $292,863 | $411,097 |
| $674,394 | $832,084 | $ 931,446 | $764,603 | $ 905,185 | $1,466,057 | $266,908 | $374,531 |
| 3,539 | 14,561 | 8,541 | 8,412 | 12,458 | 19,646 | 3,015 | 5,773 |
| 6,346 | 6,965 | 8,347 | 9,409 | 9,856 | 13,017 | 2,844 | 3,490 |
| 1,642 | 2,796 | 4,030 | 4,925 | 6,238 | 12,422 | 1,918 | 4,575 |
| 2,500 | 3,000 | 3,900 | 3,250 | 3,866 | 3,995 | 875 | 1,250 |
| 630 | 1,085 | 1,174 | 1,293 | 2,215 | 2,469 | 423 | 214 |
| 922 | 62 | 59 | 71 | 572 | 2,005 | 5 | 1,165 |
| $689,973 | $860,553 | $ 957,497 | $791,963 | $ 940,390 | $1,519,611 | $275,988 | $390,998 |
| $ 42,462 | $ 53,003 | $ 67,064 | $ 62,641 | $ 67,135 | $ 77,660 | $ 16,875 | $ 20,099 |
| $ 7,701 | $ 8,732 | $ — | $ — | $ — | $ — | $ — | $ — |
| 22,423 | 26,011 | 34,726 | 32,250 | 35,000 | 39,500 | 8,800 | 10,600 |
| $ 30,124 | $ 34,743 | $ 34,726 | $ 32,250 | $ 35,000 | $ 39,500 | $ 8,800 | $ 10,600 |
| $ 12,338 | $ 18,260 | $ 32,338 | $ 30,391 | $ 32,135 | $ 38,160 | $ 8,075 | $ 9,499 |
| 44,240 | 30,603 | 43,187 | 40,999 | 60,811 | 61,548 | 61,548 | 84,067 |
| $ 56,578 | $ 48,863 | $ 75,525 | $ 71,390 | $ 92,946 | $ 99,708 | $ 69,623 | $ 93,566 |
| $ 4,326 | $ 5,676 | $ 9,729 | $ 10,579 | $ 8,163 | $ 6,681 | $ 1,666 | $ 1,738 |
| 21,649 |  | 24,797 |  | 16,340 |  |  |  |
|  |  |  |  | 6,895 | 8,960 |  |  |
| $ 25,975 | $ 5,676 | $ 34,526 | $ 10,579 | $ 31,398 | $ 15,641 | $ 1,666 | $ 1,738 |
| $ 30,603 | $ 43,187 | $ 40,999 | $ 60,811 | $ 61,548 | $ 84,067(5) | $ 67,957 | $ 91,828(5) |
| $1.79 | $2.65 | $4.70 | $4.40 | $4.63 | $5.49 | $1.16 | $1.35 |
| 0.63 | 0.82 | 1.41 | 1.53 | 1.18 | 0.96 | 0.24 | 0.25 |

3. The net earnings and cash dividends per share are based on the number of shares outstanding at the end of each period adjusted for the subsequent stock splits and stock dividends referred to in the above summary.

4. The results of operations for the three months ended March 31, 1958 should not be regarded as necessarily indicative of the results of operations that may be expected for the year ending December 31, 1958.

5. For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

### Interest and Dividends

Initial annual interest charges on the Sinking Fund Debentures and on the Convertible Subordinated Debentures will be $ and $ , respectively.

The Company on June 10, 1958 paid a quarterly cash dividend of 25¢ a share. The payment of future dividends, whether in cash or in stock or both, is dependent upon future earnings, the financial requirements of the Company, and other factors.

## HISTORY AND BUSINESS

### General

The Company was incorporated in Delaware in 1934 to acquire certain assets of United Aircraft & Transport Corporation. However, the original predecessor corporation of the Company was organized by W. E. Boeing in Seattle, Washington, in 1916. The Company's principal executive offices are located at 7755 East Marginal Way, Seattle, Washington, and the principal properties operated by it are located in Seattle and Renton, Washington and Wichita, Kansas. The Company has no subsidiaries.

Since its inception the Company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the Company has also been engaged in research and development work in the military missile field, including management of over-all development of a complete weapons system, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto. The Company's operations are currently conducted through an administrative headquarters, five operating divisions and a Systems Management organization which was recently established to manage advanced weapons systems programs.

All aircraft and missiles currently being produced by the Company are powered by turbojet engines or ramjet and rocket engines. Certain items of equipment for the Company's products, such as engines and engine accessories, instruments, and bombing and fire control systems, are not designed or manufactured by the Company. These items are either furnished by customers or purchased from others. In addition, the Company purchases from others substantial quantities of other components which are designed by the Company.

The Company has not manufactured and delivered any commercial aircraft since 1950. However, in 1955 the Company offered to the commercial airlines of the world a four-engine jet transport aircraft, and the Company has been actively engaged in soliciting sales contracts for commercial jet transport aircraft since that time.

The Company's backlog of business under contract as of year-end for the past three years and on March 31, 1958, divided between military and commercial orders, is as follows:

| Year | Total | Military | Commercial |
|---|---|---|---|
| December 31, 1955 | $2,624,000,000 | $2,272,000,000 | $352,000,000 |
| December 31, 1956 | 3,024,000,000 | 2,385,000,000 | 639,000,000 |
| December 31, 1957 | 2,452,000,000 | 1,659,000,000 | 793,000,000 |
| March 31, 1958 | 2,880,000,000 | 2,067,000,000 | 813,000,000 |

A portion of the work included in the backlog figures tabulated above had been performed as of each of the above dates. Costs applicable to such performance as of each of such respective dates, against which the Company had received substantial progress or advance payments, were as follows:

| | |
|---|---|
| December 31, 1955 | $523,469,000 |
| December 31, 1956 | 655,180,000 |
| December 31, 1957 | 654,219,000 |
| March 31, 1958 | 625,832,000 |

Based on published annual reports of the major airframe manufacturers in the United States for the last five years, the Company believes that it was first in volume of gross sales of aircraft, missiles and related products among such manufacturers during the years 1953, 1954 and 1957 and second during the years 1955 and 1956.

The business in which the Company is engaged is a highly competitive one, which requires extraordinary emphasis on research and development work and the advancement of the state of the art in the development of new products. The necessarily changing requirements of the Federal Government with respect to both the type and quantity of military aircraft, missiles and other weapons systems make uncertain the amount and type of future military business of the Company.

In addition, as commercial aircraft tend to become larger, faster and more costly, the design, development and production of commercial aircraft involve greater financial risks than those inherent in similar programs in prior years. The Company is subject to possible liability by reason of warranties against defects in design, material and workmanship made or existing as a matter of law as an incident to the sale by the Company of aircraft, missiles, spare parts and other products.

The principal developments in the products of the Company, certain changes which have occurred in the nature of such products, and certain additional changes which are presently occurring with respect thereto are further described below.

**Military Production**

The Company is an important designer and producer of military aircraft and allied products, particularly large multi-engine aircraft. Subsequent to World War II the Company produced for the United States Air Force substantial quantities of four-engine, propeller-driven B-50 bomber and C-97 cargo and troop transport and KC-97 in-flight refueling tanker aircraft. The last B-50 bomber produced by the Company was delivered to the Government in 1953, and the last KC-97 tanker produced by the Company was delivered in 1956. The Company is not now producing any propeller-driven aircraft. However, substantial quantities of these aircraft are still in use by the Government, and the Company is producing spare parts for such aircraft.

In 1948 the Company delivered to the Government the first prototype model B-47 Stratojet six-engine jet bomber. Delivery of the first production model of this aircraft was made in 1950, and production continued thereafter at a high rate through 1956. Substantial quantities of B-47's were also built by Douglas Aircraft Company and Lockheed Aircraft Corporation for the Air Force under license agreements with the Company.

Although the Company is not now producing any B-47 type aircraft, the Company is continuing to manufacture and sell to the Government substantial quantities of spare parts for this aircraft, and in addition the Company is performing a limited amount of modification, overhaul and repair work on B-47 type aircraft and has contracts to convert a limited number of B-47's for special uses.

In 1951 the first prototype model B-52 Stratofortress aircraft, an eight-engine jet bomber, was rolled out of the Company's Seattle plant. The first production model of this aircraft was delivered to the Government in 1954. Since that date substantial quantities of this aircraft have been produced, both in Seattle and in Wichita. Production of B-52's presently constitutes the major portion of the Company's business in Wichita and a substantial portion of the Company's business in Seattle. The final delivery of B-52 aircraft in Seattle is presently scheduled for February 1959. A contract for an improved version of this model, the B-52G, was received by the Company in 1957 and production of this version is now underway in Wichita. Deliveries of this version under present contracts are currently scheduled for completion early in 1960; however, the Company has been informed by the Government that it is considering the ordering of a limited additional quantity of this model for delivery following completion of deliveries under present contracts.

In 1952 the Company, at its own expense, embarked upon a program of design, development and construction of a four-engine jet tanker-transport prototype, at a cost of approximately $16,000,000. The twofold objective of the program was to develop a military jet tanker aircraft for in-flight refueling of jet bombers and fighters and for other military purposes, and to develop a jet transport aircraft for commercial purposes. The prototype made its first flight in July 1954, and shortly thereafter the Company was awarded a contract by the United States Air Force for the production of a military jet tanker-transport aircraft, designated the KC-135. The first production model of the KC-135 was delivered to the Government in January 1957. Production of this model and spare parts therefor now constitutes a substantial portion of the Company's business in the Seattle-Renton area.

The Company's first research contract in the missile field was received in 1945. Since that time the Company has been continuously engaged in research and development work in this field and is currently producing for the Air Force the Bomarc IM-99, a supersonic area defense missile. The Bomarc missile, powered by liquid boost rocket and ramjet engines, has an over-all length of 47 feet, has a range of 200 to 250 miles, and an operating altitude of about 60,000 feet. In addition to the missile itself, the Company has the responsibility for providing most of the other components of the weapons system, including launching and control equipment, for installing such components at Government-provided launching bases, and for integrating the complete weapons system. Much of the equipment and work is provided through subcontractors.

Further research and development work in the area defense field is continuing under a contract with the United States Air Force for a program to extend the range of the Bomarc IM-99 missile beyond 400 miles, to improve other performance capabilities, and to change to a solid fuel boost rocket engine.

The Company is currently establishing new scientific research laboratories in order to increase its efforts in both general and applied research. The Company is also conducting specific investigations and studies in various additional areas which are believed to have potential for new military business, including manned and unmanned long-range glide rockets and other advanced airborne and ballistic vehicles and advanced military transport-tanker equipment. Proposals in some of these areas have been made to agencies of the Government but no production contracts have been received by the Company. However, on June 16, 1958, the Air Force announced that the Company and one other aircraft company had been selected for a preliminary design competition for the Air Force's advanced boost glide aircraft called Dyna-Soar. The ultimate objective of the program is to develop a boost glide vehicle to orbit around the earth one or more times under control and to make a controlled return to the earth. Research and development contracts have been placed with both sources for the development of competitive preliminary designs. Each source will utilize the specialized skills of other companies in developing its design.

The Company is also producing small gas turbine engines on a limited basis for use principally by the Navy as power plants for small boats, by the Navy and the Air Force as auxiliary power supply units, and for experimental use in helicopters and radio-controlled target aircraft.

As is indicated above, since World War II the Company's military business may be roughly divided into three categories: large multi-engine bombers, large multi-engine transport-tanker type aircraft, and missiles. As the state of the art of the aircraft industry has advanced from propeller-driven to jet-engine-powered aircraft, the Company has been successful in maintaining its position as a principal producer of multi-engine heavy bomber and tanker type aircraft. The B-47 and B-52 production programs followed on after the B-50 production program. Likewise, the KC-135 jet tanker-transport program was a logical follow-on to the C-97 and KC-97 series aircraft. The Company currently has a substantial production program for B-52 bomber aircraft, but the Company is not now working on a multi-engine bomber as a replacement for the B-52. The Company also has a substantial production program for the new KC-135 tanker-transport aircraft. While it is possible that military weapons systems of the future will not require tanker aircraft support, the Company believes there will be a continuing requirement for this type aircraft for use as a transport and other specialized purposes. In the missile field the Company's efforts have been constantly increasing, although the Company has only one missile production program, the Bomarc IM-99.

As a result of the accelerating emphasis throughout the world on the development of missiles and other weapons systems utilizing equipment and design and production techniques some of which are not traditional to the aircraft industry, and the requirement that Government contractors assume increased responsibility for the development and integration of complete weapons systems, the Company has recently enlarged its activities in these areas and may be expected in the future to expand such activities. The new Systems Management organization of the Company has been established to organize, manage and coordinate the development and production of advanced weapons systems for which the resources of two or more companies are required. The changes occurring in the nature of future military weapons systems are requiring research and

development work by the Company in new technological fields and are leading it into competition with companies in other industries with whom it has not heretofore been in competition. The extent to which the Company will obtain future military business in these fields will depend in large measure upon its ability to become proficient in these technologies and to provide the required over-all weapons system management.

**Government Contracts**

Substantially all of the Company's government contracts covering work performed for the Government are either of the fixed price incentive or cost reimbursement type. The fixed price incentive type provides for establishment of a target cost, price and profit either at time of execution of the contract or after some production experience has been obtained and for participation, within the limits provided in the contract, by the Company and the Government in the underrun or overrun of the actual cost compared to the target cost. The cost reimbursement type provides for reimbursement of costs with certain exceptions and payment of a fee as specified in each contract. In addition to provisions for termination for default, all of these government contracts provide that they may be terminated by the Government whenever the Government determines that such termination is in its best interest. Upon termination for the convenience of the Government, the Company is entitled to be paid its costs, with certain exceptions, and in general a proportionate share of the profit or fee on the work done.

For a number of years the Company received progress payments as work was performed under fixed price type contracts of amounts up to 90% of costs incurred. In 1955 the Government reduced progress payments under such contracts to 75% of total costs, and in August of 1957 to 70%. Also, in November 1957 the Government reduced current reimbursement percentages under cost reimbursement contracts from 100% to 80% of expenditures thereunder. As a result of these changes, the Company is required to finance a greater portion of the work in process inventories and receivables under government contracts.

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. The Renegotiation Board has issued unilateral orders for the years 1952, 1953 and 1954 determining that the Company earned excessive profits (before adjustment for applicable income taxes) for such years of $10,000,000, $7,500,000 and $10,000,000, respectively, requiring refunds to the Government of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. After giving effect to applicable federal income and excess profits tax credits, the net amount of the refund for each of such years is $2,946,702, $2,057,793 and $4,637,956, respectively. The Company has paid or provided for the net refunds as above stated and has filed with the Tax Court of the United States petitions for redetermination of the Board's orders. It is expected that the 1952 case will be tried in the fall of 1958. The Renegotiation Act provides that the Tax Court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board and that the proceeding shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo*. The Company does not know and cannot reasonably predict what the actions of the Renegotiation Board will be for the years 1955, 1956, 1957 and 1958. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for any periods subsequent to 1954. However, there is no assurance that the Company may not be required to make refunds for those years or that the Company will be successful in its suits with respect to the Board's orders for the years 1952, 1953 and 1954.

**Commercial Production and Contracts**

Prior to World War II the Company was a pioneer in the design and manufacture of commercial transport aircraft. Since World War II and prior to the advent of the jet transport era, its only production of commercial aircraft was the twin-deck, four-engine, propeller-driven Model 377 Stratocruiser. In late 1945 and in 1946 orders were obtained for 55 Stratocruisers from six

domestic and foreign airlines. These aircraft were delivered in 1949 and 1950 at a total loss to the Company of about $13,800,000 exclusive of applicable general and administrative and selling expenses. This loss resulted from a combination of unfavorable factors, including among others, a four-and-one-half months' strike at Seattle in 1948 and unforeseen delays in production schedules and in obtaining certification by the Civil Aeronautics Administration.

The Company's experience with the design, construction and flight testing of the four-engine jet tanker-transport prototype previously mentioned enabled it to offer a commercial jet transport aircraft to the commercial airlines based on actual flight performance of a prototype aircraft. In 1955 the Company obtained from the Government the right to use on a rental basis in the construction of commercial jet aircraft certain Government-owned land, buildings and general purpose machinery and equipment which are used by the Company in its other operations. The Company also obtained from the Government the right to use for the same purpose certain Government-owned jigs, dies, fixtures, special test equipment and other special tooling used by the Company in its KC-135 project, subject to the payment to the Government of an agreed portion of the estimated cost of such special tooling based upon the usage made thereof by the Company in the production of commercial aircraft and subject to the right of the Government to terminate such usage if it should interfere with present or future Government delivery schedules. The Company believes present Government schedules could be substantially accelerated without resulting in such interference.

The Company has now developed five versions of a four-engine jet transport aircraft which have been ordered by commercial airlines. Four of the versions are known as the Model 707, two of which are of extreme long range called the Intercontinental, and two of which are long range called the Stratoliner. The fifth version is of short-to-medium range and is known as the Model 720. The first order for Model 707 aircraft was obtained in October 1955, and 184 Model 707 and 720 jet transports have now been ordered by six United States and nine foreign airlines. In addition, the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives. Of these aircraft 164 are included in the Company's backlog of commercial orders at March 31, 1958, shown above.

The rollout (October 28, 1957) and first flight (December 20, 1957) of the first production jet transport, a Stratoliner, occurred ahead of the originally established schedule. This aircraft and the second and third production models had accumulated an aggregate of 390 hours of flight time by June 17, 1958. These three aircraft are undergoing extensive Civil Aeronautics Administration (CAA) certification test programs. It is the opinion of the Company that the substantial flight time of 942 hours (as of June 17, 1958) on the prototype will materially shorten the time which would otherwise be required to obtain CAA certification. The first certificated Stratoliner is scheduled by contract to be delivered in December 1958, the first Intercontinental in August 1959, and the first Model 720 in April 1960; however it is presently anticipated that the first certificated Stratoliner will be delivered prior to the contract date. The status of all commercial aircraft now in production is such that barring unforeseen difficulties deliveries thereof are expected to be made on or ahead of contract schedules.

Substantial advance payments are obtained from commercial customers prior to the commencement of and during the manufacture of the aircraft ordered. In connection with certain orders for Model 707 aircraft, the Company has entered into agreements relating to the purchase by the Company of sixteen used aircraft, under which the Company may, under certain conditions, have a maximum obligation of approximately $4,500,000. With respect to the sale of aircraft to certain airlines, the Company has agreed to accept interest-bearing notes for a limited portion of the sales price, the maturities of some of which extend up to seven years after delivery of the aircraft to which such notes relate.

The design, production and sale of commercial aircraft has been and is a highly competitive business. The Model 707 and 720 transports are directly competitive with long and medium range jet transports being offered both in this country and in foreign countries by a number of domestic and foreign manufacturers.

The Company believes that it has made good progress in re-establishing itself in the commercial aircraft business. It plans to continue its development of advanced models of aircraft to meet the future requirements of the airlines and is currently conducting investigations and studies for this purpose. However, as previously pointed out, the development, testing, construction and marketing of new aircraft such as the Model 707 and 720 is a hazardous undertaking. The ultimate success of the Company in the commercial field will depend upon many things, including among others, the total quantity sold which in turn is dependent in part on the financial capabilities of the world's commercial airlines; whether the Company can produce the aircraft at costs reasonably within the limits of the estimates of cost used in establishing sales prices for the aircraft; the ability of the Company to obtain CAA certification of the aircraft within a reasonable period of time; and unforeseeable changes in general economic, industrial and international conditions or in legislative, governmental or administrative regulations which take place between the commencement of production and the delivery of aircraft.

**Employee Relations**

On June 1, 1958 the Company had slightly more than 90,000 employees, about two-thirds of whom were employed in the Seattle-Renton area. Substantially all factory employees at the Seattle, Renton and Wichita plants are represented by locals of the International Association of Machinists (A.F.L.-C.I.O.). Professional engineers (other than supervisory) at the Seattle and Renton plants are represented by the Seattle Professional Engineering Employees Association, and at Wichita by the Wichita Engineering Association. The Company has agreements with these and other unions covering wages, hours and other conditions of employment.

An agreement was recently reached with a lodge of the International Association of Machinists, covering about 36,000 employees in the State of Washington, which is subject to renewal or termination on April 22, 1960. The agreement provides for certain increases in wage rates effective May 23, 1958 and May 23, 1959, the aggregate of which are generally no greater than those granted in recent settlements by other major West Coast airframe companies. The agreement also provides for negotiation on the subject of wage rates, relating to the period after May 22, 1959, if request for such negotiation is made at least 60 days prior to that date, but without the right to strike in the event agreement as to change is not reached.

The agreement with a lodge of the International Association of Machinists covering about 17,000 employees at Wichita, is subject to renewal or termination on July 22, 1958, but provides for an automatic extension to August 22, 1958, if a new agreement has not been reached prior to July 22. The Company is currently engaged in negotiations with this union.

The other agreements are subject to renewal at various times during the year 1958 or subsequently, and provide that negotiations toward renewal may be opened in advance of the date for renewal.

There have been no work stoppages at Company plants since the strike at the Seattle plants which ended in September 1948.

The Company has in effect various benefit plans which form a comprehensive employee security program. These plans include a non-contributory trusteed retirement plan for employees, and group insurance plans which offer life, accident and hospital and surgical insurance to employees, and hospital and surgical insurance to their dependents. Reference is made to Note C to the financial statements for further information concerning the retirement plan.

An Incentive Compensation Plan for Officers and Employees of the Company was first adopted by the stockholders in 1947. The Plan provides in effect that in any year the Board of Directors may set aside a sum not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such sum awards are made by the Incentive Compensation Committee elected by the Directors to such officers and employees, and certain former employees and the survivors of certain deceased employees, as the Committee shall determine. The members of the Committee are not eligible to participate in any awards. No award in excess of 5% of the fund may be made in any one year to any one officer or employee. Awards of less than $500 and awards to former employees and the survivors of deceased employees are paid in cash. Awards of $500 or more after deductions required by federal or state statute are paid approximately one-half in cash and one-half in

Capital Stock at the market value thereof on the distribution date. However, the Plan provides that the Board of Directors may direct that a greater portion of any award shall be paid in Capital Stock if the Board determines that this is in the best interests of the Company. Awards for the year 1957, which were paid to the maximum extent possible under the Plan in full shares of Capital Stock, were made to 7,940 officers and employees in the aggregate amount of $3,994,390, of which $102,790 was paid to fifteen executive officers of whom six were also directors.

## DESCRIPTION OF PROPERTY

The following tabulation summarizes the approximate building and land areas of the principal operating properties of the Company showing the relationship between the Company-owned and Company-leased and Government-owned facilities operated by the Company under contract as of April 30, 1958. The tabulation also shows the approximate relationship between Company-owned and Government-owned machinery and equipment.

| | Company-Owned Facilities | | Government-Owned Facilities | | Facilities Leased from Others | | Ownership of Machinery and Equipment | |
|---|---|---|---|---|---|---|---|---|
| | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Company | Government |
| Seattle Area* | 4,671,029 | 233.59 | 3,420,790 | 147.21 | 1,334,346 | 230.17 | 40% | 60% |
| Renton Area | 741,861 | 68.17 | 2,333,430 | 92.99 | 33,581 | 41.39 | 60% | 40% |
| Wichita Area | 328,816 | 30.35 | 5,050,863 | 540.97 | 356,484 | 34.25 | 5% | 95% |
| Moses Lake Area* | — | — | 768,241 | 327.20 | — | — | 10% | 90% |
| | 5,741,706 | 332.11 | 11,573,324 | 1,108.37 | 1,724,411 | 305.81 | | |

* Certain land, buildings, and machinery and equipment owned by the Government and operated by the Company or leased from others located in the nearby communities of Auburn, Bellevue and Tacoma, Washington, and used for office, warehousing and other support functions for both Seattle and Renton operations, are included in the Seattle Area in the tabulation above. The Moses Lake facilities in eastern Washington are used for flight test and delivery of military aircraft.

In 1955, the Company embarked on a substantial program for expansion of its capital facilities, including a new Developmental Center at Seattle and a new manufacturing and office facility at Renton. These two facilities are now substantially completed and the others included in the program are nearing completion. The following tabulation shows the capital expenditures for each year during the period 1948 through 1957:

| Year | Gross Additions to Plant, Property and Equipment |
|---|---|
| 1948 | $ 1,142,341 |
| 1949 | 1,413,408 |
| 1950 | 2,908,571 |
| 1951 | 5,175,449 |
| 1952 | 6,675,358 |
| 1953 | 8,009,875 |
| 1954 | 5,061,959 |
| 1955 | 7,521,100 |
| 1956 | 30,847,605 |
| 1957 | 45,043,425 |
| Total | $113,799,091 |

During the ten-year period plant, property and equipment retirements aggregated $3,354,921.

Of the total additions to plant, property and equipment made during this period, the Company obtained Certificates of Necessity pursuant to which $45,706,749 of the cost of such additions is being amortized over sixty-month periods commencing as to each project with the month following the completion date of such project.

No runways and taxiways located on airport properties are included in the first tabulation under this heading, since all such facilities are used by the Company jointly with others. The Company's right of use of such facilities on Boeing Field, Seattle, Washington, is provided under a 75-year lease from King County, Washington, dated September 14, 1955, and the Company's right of use of such facilities at Renton, Washington is provided under a 5-year lease with the City of Renton dated June 1, 1955, which contains two options in the Company to extend the term for five

years on each option. At Wichita, Kansas, the Company's right of use of such facilities on the McConnell Air Force Base originated pursuant to an agreement with the Board of Park Commissioners of the City of Wichita dated April 10, 1939, and extends for such period of time as the Company continues to own, maintain and operate a factory for the manufacture of aircraft at the present location. The McConnell Air Force Base was acquired by the Government in 1951 subject to the Company's rights under the aforesaid agreement.

The facilities contracts between the Company and the United States Government, pursuant to which the Government furnishes to the Company the Government-owned land, buildings, and machinery and equipment referred to herein, provide for the use of such facilities with the approval of the Government on work for the Government without payment of any rental or usage charge, and are subject to termination at the convenience of the Government. Contract AF33(600)-36041, pursuant to which the Government furnishes to the Company approximately 26 acres of land, office and factory buildings having approximately 540,700 square feet of floor space, and certain machinery and equipment, all located in Seattle, Washington, does not presently authorize the use of facilities furnished thereunder on work other than for the Government. The other facilities contracts authorize the use of Government facilities furnished thereunder on non-Government contract work with the approval of the Government and upon the payment of rental charges for such use.

The facilities referred to above which are furnished to the Company under Contract AF33(600)-36041 were first made available to the Company in February 1958, and are presently being rehabilitated and modernized for use in the production of Bomarc missiles. It is anticipated that such facilities will be ready for full use early in 1959.

The Government furnishes to the Company certain office space, installations and equipment at various Air Force bases, of which the most substantial amount is at Cape Canaveral and Patrick Air Force Base, Florida, for use in missile testing.

The properties of the Company are generally well maintained and in good operating condition. The Company maintains a continuous program of improvements and modernization, but it cannot estimate the extent to which new developments in aircraft and missiles may make any of its properties obsolete.

Except for current taxes, assessments, rights of way and other restrictions which do not materially interfere with the use of its plants and properties, the Company knows of no material defects in title to the properties owned by it nor of any major encumbrances thereon. However, no special examination of title to properties has been made in connection with this offering.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the Company are:

| Name | Title |
|---|---|
| William M. Allen | President and Director |
| Wellwood E. Beall | Senior Vice President and Director |
| J. B. Connelly | Vice President—General Manager, Transport Division |
| Darrah Corbet | Director |
| C. L. Egtvedt | Chairman and Director |
| D. A. Forward | Director |
| Artemus L. Gates | Director |
| C. B. Gracey | Vice President—Operations |
| Fred P. Laudan | Vice President—Manufacturing and Director |
| A. F. Logan | Vice President—Labor Relations |
| George C. Martin | Vice President—General Manager, Seattle Division |

| Name | Title |
|---|---|
| J. P. Murray | Vice President—Eastern Representative |
| Evan M. Nelsen | Treasurer |
| Paul Pigott | Director |
| J. E. Prince | Vice President—Administration and Secretary |
| William G. Reed | Director |
| J. E. Schaefer | Vice Chairman and Director |
| Dietrich Schmitz | Director |
| N. D. Showalter | Vice President—General Manager, Wichita Division |
| Clyde Skeen | Controller |
| Edward C. Wells | Vice President—General Manager, Systems Management Office, and Director |
| Lysle A. Wood | Vice President—General Manager, Pilotless Aircraft Division |
| J. O. Yeasting | Vice President—Finance and Director |

All the executive officers named in the foregoing table have been actively engaged in the business of the Company for more than the past five years. Mr. Egtvedt devotes only a portion of his time to the Company's business and receives no compensation except director's fees.

Mr. D. A. Forward is a Senior Vice President of The First National City Bank of New York. The Company maintains a line of credit with and borrows money from that bank from time to time in the ordinary course of business. At June 16, 1958, the Company's borrowings from that bank aggregated $30,355,000.

### Remuneration of Directors and Officers

The following tabulation sets forth the aggregate remuneration paid by the Company during the year 1957 (1) to each director, and each of the three highest paid officers of the Company, whose aggregate direct remuneration exceeded $30,000 and (2) to all directors and officers of the Company as a group, and the estimated annual benefits each of such persons will be paid under the Company's Retirement Plan upon retirement at the normal retirement date and assuming no change in present rates of compensation:

| Name of Individual or Identity of Group | Capacities in which Remuneration was Received | Aggregate Direct Remuneration (1) | Estimated Annual Benefits upon Retirement |
|---|---|---|---|
| William M. Allen | President | $120,100 | $ 19,610 |
| Wellwood E. Beall | Senior Vice President | 83,660 | 25,375 |
| Fred P. Laudan | Vice President—Manufacturing | 46,520 | 11,390 |
| J. E. Schaefer | Vice Chairman (2) | 46,520 | 8,875 |
| Edward C. Wells | Vice President—Engineering | 68,645 | 22,385 |
| J. O. Yeasting | Vice President—Finance | 52,700 | 13,420 |
| Directors and Officers (including above) as a group | | 772,970 | 178,235 |

(1) The amounts shown in the column entitled "Aggregate Direct Remuneration" include awards made under the Incentive Compensation Plan for the year 1956 which were paid in the year 1957. The provisions of the Plan are briefly outlined under "Employee Relations".

(2) Mr. Schaefer was elected Vice Chairman of the Company on May 7, 1957. Prior thereto he had been Vice President—General Manager of the Wichita Division.

The stockholders at the annual meeting on May 6, 1958, adopted a Stock Option Plan. Under the Plan an aggregate of not more than 200,000 shares of Capital Stock (subject to proportionate adjustment for future stock dividends, stock splits and other changes in Capital Stock) may be issued pursuant to options granted by a committee of directors, the members of which are ineligible to receive options, to officers and key employees of the Company at not less than 100% of the prevailing market price at the time each option is granted. Not more than 10% of the maximum number of shares that may be issued pursuant to options may be issued to any one officer or employee pursuant to options granted under the Plan, and no option may be exercised until the holder has remained in the employ of the Company for at least two years after the granting of the option. All options must be restricted stock options within the meaning of that term as used in Section 421 of the Internal Revenue Code, and no option may be granted which is exercisable more than ten years after the date it is granted. Stock issued upon the exercise of an option must be paid for in cash. No options have been granted under the Plan as of the date of this Prospectus.

### Ownership of Securities

On June 1, 1958 the officers and directors of the Company, as a group, owned beneficially, directly or indirectly, 79,536 shares of the Company's Capital Stock or 1.13% of the Capital Stock then outstanding.

## DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are to be issued under an Indenture to be dated July 1, 1958 between the Company and The Chase Manhattan Bank, Trustee. A copy of the Indenture in the form in which it will be executed is filed as an Exhibit to the Registration Statement. References are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such reference. Wherever a defined term is indicated, the definition thereof is contained in §1.01 of the Indenture.

The principal amount of Convertible Subordinated Debentures which may be issued under the Indenture is limited to $30,597,600. Such Debentures are to be unsecured obligations of the Company, maturing July 1, 1980 and bearing interest from July 29, 1958 at the rate specified on the cover page payable semi-annually on January 1 and July 1.

Principal and interest are payable at the principal office of the Trustee in the Borough of Manhattan, The City of New York (§7.03).

### Redemption

**Optional Redemption.** The Convertible Subordinated Debentures may be redeemed by lot at the option of the Company, as a whole at any time or in part from time to time (provided in either case that at the time the notice of redemption is first published it is not in default in the payment of any Senior Indebtedness), on any date prior to maturity, on not less than 30 days' nor more than 90 days' published notice, at the following redemption prices (expressed in percentages of the principal amount):

**IF REDEEMED DURING THE TWELVE MONTHS' PERIOD ENDING JULY 1,**

| Year | Percentage | Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|---|---|
| 1959 | | 1964 | | 1969 | | 1974 | |
| 1960 | | 1965 | | 1970 | | 1975 | |
| 1961 | | 1966 | | 1971 | | 1976 | |
| 1962 | | 1967 | | 1972 | | 1977 | |
| 1963 | | 1968 | | 1973 | | 1978 | |

and thereafter at 100% of the principal amount thereof, together with accrued interest to the date of redemption (§5.01(a) and §5.02).

**Sinking Fund Redemption.** The Convertible Subordinated Debentures are also redeemable by lot, on like notice, through the sinking fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, on January 1, 1968 and on each January 1 thereafter to and including January 1, 1979 (§5.01(b) and §5.02).

See "Certain Provisions of the Senior Debentures" for additional restrictions on the optional or sinking fund redemption of Convertible Subordinated Debentures.

### Sinking Fund

Prior to January 1, 1968 and prior to January 1 of each year thereafter to and including January 1, 1979 the Company will pay to the Trustee, as a mandatory sinking fund, $1,750,000 plus accrued interest on the Convertible Subordinated Debentures to be redeemed through the sinking fund. At its option the Company may make an additional sinking fund payment (provided that at the time notice thereof is first given to the Trustee the Company is not in default in the payment of any Senior Indebtedness) on or before the due date of any mandatory sinking fund payment in an amount up to but not exceeding $1,750,000. No optional sinking fund payment shall have the effect of reducing any mandatory sinking fund payment. The option to make such additional sinking fund payment is not cumulative and to the extent not exercised shall terminate (§6.01 and §6.02).

At its option the Company may make any mandatory sinking fund payment in whole or in part in cash or in Convertible Subordinated Debentures or by a credit for Convertible Subordinated Debentures previously converted or redeemed but not theretofore applied as a credit (other than those converted after being called for redemption through the sinking fund) (§6.04).

### Subordination

In the event of any dissolution, total liquidation or reorganization of the Company, the payment of the principal of and premium, if any, and interest on the Convertible Subordinated Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, but this will not affect the obligation of the Company (except during the pendency of any such dissolution, total liquidation or reorganization) to make payments of principal, premium, if any, or interest on such Debentures. Upon the payment in full of all Senior Indebtedness, the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments applicable to Senior Indebtedness upon any dissolution, total liquidation or reorganization of the Company, whether in insolvency proceedings or otherwise, until the principal of and premium, if any, and interest on such Debentures shall have been paid in full (§3.02 and §3.03).

Senior Indebtedness is defined as all indebtedness (other than the Convertible Subordinated Debentures) incurred, assumed or guaranteed by the Company which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to such Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness (§1.01). The Senior Debentures are Senior Indebtedness within the meaning of this definition.

By reason of such subordination, in event of insolvency, creditors of the Company, other than holders of Senior Indebtedness and holders of Convertible Subordinated Debentures, may recover less, ratably, than holders of Senior Indebtedness, but more, ratably, than holders of such Debentures upon any such distribution of assets.

### Conversion Rights

The holder of any Convertible Subordinated Debenture has the right, at his option, at any time on or before July 1, 1980 (except that in case such Debenture shall be called for

redemption, such right shall terminate at the close of business on the tenth day prior to the date fixed for redemption) to convert such Debenture or any part of the principal amount thereof which is $100 or a multiple of $100 into shares of Capital Stock of the Company (as defined) at the conversion rate set forth on the cover page hereof (subject to adjustment) (§4.01, §4.04 and §4.05).

The Indenture contains provisions to protect the conversion rate against dilution by making appropriate adjustments therein upon the occurrence of certain events, including, among other things, the issuance of Capital Stock or securities convertible into Capital Stock and a reclassification or change of the Capital Stock. Any such adjustment will be based upon the consideration received for such Capital Stock or upon the conversion rate for such convertible securities. However, in making such adjustments, stock dividends of not more than 4% in any one year and not more than 12% in the aggregate shall be treated as though issued for a consideration equal to the market price of the Capital Stock on the date of declaration of such dividends to the extent such stock dividends have been "earned" within the meaning of the Indenture. Adjustments are cumulative but are required to be made only if the resulting change in the conversion rate is not less than 1/20th of a share of Capital Stock and need be made only to the largest possible multiple of 1/20th of a share. No adjustment is required to be made upon the issuance of up to 350,000 shares of Capital Stock appropriately adjusted for stock dividends, stock splits and stock consolidations, pursuant to the Company's Stock Option Plan or Incentive Compensation Plan (§1.01 and §4.05).

Upon conversion of any Convertible Subordinated Debenture, an appropriate cash payment will be made in lieu of issuing fractional shares of Capital Stock, but no adjustment will be made for interest accrued on any such Debenture or for dividends on any Capital Stock issued on conversion (§4.02 and §4.03).

Debentures may be presented for conversion at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

### Restriction on Additional Funded Indebtedness

The Company will not, nor will it permit any Subsidiary to, create, guarantee or assume any additional Funded Indebtedness unless immediately thereafter Consolidated Net Tangible Assets shall be at least 225% of Consolidated Funded Indebtedness (§7.08).

Funded Indebtedness is defined as debt of the Company or any Subsidiary which matures more than one year after the date such Funded Indebtedness is determined, but there is excluded from such definition, among other things, (a) debt secured by certain permitted encumbrances including purchase money mortgages or other liens created simultaneously with the acquisition or construction of property and encumbrances existing on any property at the time of acquisition, (b) debt secured by any encumbrance hereafter created on any unimproved property now owned by the Company, (c) debt secured by certain permitted encumbrances, including liens created under Regulation V of the Federal Reserve System or, under specified conditions, in connection with war or defense production, (d) debt, whether secured or unsecured, identified with government contracts for production, research or development, (e) debt incurred for the purpose of enabling the Company or a Subsidiary to hold or finance customers' paper arising out of the sale of products or merchandise and (f) debt hereafter incurred which is expressly subordinated to the Convertible Subordinated Debentures (§1.01).

Consolidated Net Tangible Assets is defined as the total assets of the Company and its Subsidiaries less current liabilities, amortization and depreciation reserves and other asset valuation reserves, treasury stock, intangible assets, write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost, and adjustments for minority interests, if any, in Subsidiaries (§1.01).

Subsidiary is defined as any corporation of which the Company or one or more of its other Subsidiaries owns more than 50% of the voting securities and whose accounts are customarily consolidated with those of the Company, but does not include a corporation substantially all of whose physical properties are outside the United States and Canada or which has been organized for the purpose of financing the sale or lease of aircraft or as a Western Hemisphere Trade Corporation (§1.01). The Indenture contains certain other restrictions relating to Subsidiaries, although the Company at present has no subsidiaries.

### Restriction on Dividends, Distributions and Certain Acquisitions

The Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares) or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings (as defined) subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness which has been converted into stock after such date), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan (§7.12).

See "Certain Provisions of the Senior Debentures" for further restrictions on dividends, distributions, purchases and redemptions.

### Concerning the Trustee

The Indenture provides that the Trustee, except during the existence of an Event of Default, shall undertake to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default the Trustee may exercise the rights and powers vested in it by the Indenture and shall use the same degree of care as a prudent man would exercise under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the powers vested in it unless offered reasonable indemnity by the Debentureholders (§10.01 and §10.02).

The holders of a majority of the aggregate principal amount of the Convertible Subordinated Debentures outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or to exercise any trust or power conferred on the Trustee (§9.09).

### Events of Default and Notice Thereof

The Indenture defines as an "Event of Default": 30 days' default in payment of interest; default in payment of principal or premium, if any; 30 days' default in payment of any sinking fund obligation; 90 days' default, after notice from the Trustee or the holders of at least 25% in principal amount of outstanding Convertible Subordinated Debentures, in performance of any other covenant; and certain events in bankruptcy, insolvency, or reorganization proceedings (§9.01).

The Indenture provides that the Trustee shall, within 90 days (exclusive of the periods of grace, if any, stated above) after the happening thereof, give due notice to the Debentureholders of any occurrence of any uncured Event of Default known to it. However, unless such default be the failure to pay the principal of or premium, if any, or interest on any of the Convertible Subordinated Debentures, or to pay a sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice

is in the interests of the Debentureholders (§9.10). On or before April 15 in each year the Company must file with the Trustee an Officers' Certificate (as defined) with respect to the existence or absence of any default by the Company in the performance or fulfillment of certain covenants contained in the Indenture (§7.15). The Indenture does not require the furnishing of any periodic evidence to the Debentureholders as to the absence of default or as to compliance with the terms of the Indenture.

The Trustee or the holders of 25% of the Convertible Subordinated Debentures may declare the principal of any such Debentures due upon the happening of an Event of Default but the holders of a majority of such Debentures may waive any such default and rescind such declaration if the default is cured (§9.01). Debentureholders may not institute any proceedings to enforce the Indenture unless the Trustee refuses to act after request from the holders of 25% of such Debentures and a tender to the Trustee of reasonable indemnity, but any Debentureholder may enforce payment of principal of, premium, if any, and interest on his own Debenture when due (§9.06 and §9.07).

### Modification of the Indenture

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Convertible Subordinated Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing any of the provisions of the Indenture or modifying the rights of the holders of such Debentures or coupons; provided that no such supplemental indenture shall (a) extend the fixed maturity of any Convertible Subordinated Debentures, reduce the principal amount thereof, reduce any premium payable upon the redemption thereof, reduce the rate or extend the time of payment of interest thereon, or impair the right to convert such Debentures without the consent of the holder of each Convertible Subordinated Debenture so affected, or (b) reduce the aforesaid percentage of Debentureholders required to consent to any such supplemental indenture, without the consent of the holders of all such Debentures then outstanding (§13.02).

In addition, the Indenture provides that the Company and the Trustee may execute supplemental indentures without the consent of the Debentureholders in order to provide security for the Convertible Subordinated Debentures, or to add additional covenants, restrictions, conditions or provisions for the protection of Debentureholders, or to clarify ambiguous provisions in the Indenture, or to make such other provisions as the Company may deem desirable which shall not be inconsistent with the provisions of the Indenture or of any supplemental indenture and which shall not adversely affect the interests of Debentureholders (§13.01).

## CERTAIN PROVISIONS OF THE SENIOR DEBENTURES

As previously mentioned under the heading "Sale of Senior Debentures" in this Prospectus, the Company has authorized the issue of $60,000,000 principal amount of Sinking Fund Debentures, due August 1, 1978. These Senior Debentures are to be issued under an Indenture dated August 1, 1958 between the Company and City Bank Farmers Trust Company, Trustee. A copy of such Indenture in the form in which it is to be executed is an Exhibit to the Registration Statement. A separate Prospectus summarizes the provisions of such Indenture and the rights of holders of the Senior Debentures.

The Indenture under which the Senior Debentures are to be issued provides that the Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares), or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class or any subordinated

indebtedness, including the Convertible Subordinated Debentures, if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness other than the Convertible Subordinated Debentures which has been converted into such stock), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan. This restriction will not prevent, among other things, the making of any sinking fund or similar payment required to be made by the terms of any subordinated indebtedness, including the Convertible Subordinated Debentures.

The Senior Debentures may be redeemed at the option of the Company in whole or in part at any time at specified redemption premiums. In addition, the Senior Debentures are entitled to the benefits of a sinking fund requiring the annual retirement, beginning in 1964, of $4,000,000 principal amount of Senior Debentures and, at the option of the Company, not more than an additional $4,000,000 principal amount annually.

## DESCRIPTION OF CAPITAL STOCK

The total authorized shares of Capital Stock of the Company is 10,000,000 of the par value of $5 each.

Subject to the restrictions on dividends set forth above under "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures", holders of the Capital Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. The amount of retained earnings at December 31, 1957 which will be available for payment of dividends under the foregoing restrictions was $10,000,000.

Stockholders are entitled to one vote for each share and to vote cumulatively for directors. Upon liquidation stockholders are entitled to share ratably in the assets available for distribution. The Capital Stock has such preemptive or subscription rights as are accorded by the common law of Delaware except that under its Certificate of Incorporation the Company may issue and sell to officers and employees, free of preemptive rights, up to 200,000 shares plus additional amounts determined on the basis of stock dividends after April 24, 1956, applied to the then unissued balance of such shares. After giving effect to the declaration of stock dividends subsequent to such date and to the issuance of 103,312 shares of Capital Stock in payment of awards under the Company's Incentive Compensation Plan, the number of shares of Capital Stock presently available for issuance to officers and employees of the Company under the Certificate of Incorporation free from preemptive rights is 274,513.

The shares issued upon conversion of the Convertible Subordinated Debentures in accordance with their terms will be fully paid and non-assessable.

## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below have severally agreed to purchase from the Company, and the Company has agreed to sell to them severally, at the Subscription Price set forth on the cover of this Prospectus, plus accrued interest from the date of the expiration of the Subscription Offer, the respective percentages set forth below of such of the Convertible Subordinated Debentures as shall not be subscribed for through the exercise of Rights (the Unsubscribed Debentures).

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Harriman Ripley & Co., Incorporated | 63 Wall Street, New York 5, N. Y. | 6.825% |
| Blyth & Co., Inc. | 14 Wall Street, New York 5, N. Y. | 6.825 |
| A. C. Allyn and Company, Incorporated | 122 South La Salle Street, Chicago 3, Ill. | 0.80 |
| Bache & Co. | 36 Wall Street, New York 5, N. Y. | 0.40 |
| Bacon, Whipple & Co. | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Robert W. Baird & Co., Incorporated | 110 E. Wisconsin Ave., Milwaukee 2, Wis. | 0.40 |
| Baker, Weeks & Co. | One Wall Street, New York 5, N. Y. | 0.40 |
| J. Barth & Co. | 404 Montgomery Street, San Francisco 4, Calif. | 0.40 |
| Bateman, Eichler & Co. | 453 South Spring Street, Los Angeles 13, Calif. | 0.25 |
| A. G. Becker & Co. Incorporated | 120 South La Salle Street, Chicago 3, Ill. | 1.00 |
| Blair & Co. Incorporated | 20 Broad Street, New York 5, N. Y. | 0.80 |
| William Blair & Company | 136 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Blunt Ellis & Simmons | 208 South La Salle Street, Chicago 4, Ill. | 0.40 |
| Bosworth, Sullivan & Company, Inc. | 660 Seventeenth Street, Denver 2, Colorado | 0.35 |
| Alex. Brown & Sons | 135 East Baltimore Street, Baltimore 2, Md. | 1.00 |
| Brush, Slocumb & Co. Inc. | 465 California Street, San Francisco 4, Calif. | 0.35 |
| Butcher & Sherrerd | 1500 Walnut Street, Philadelphia 2, Pa. | 0.25 |
| Clark, Dodge & Co. | 61 Wall St., New York 5, N. Y. | 1.00 |
| Richard W. Clarke Corporation | 535 Fifth Avenue, New York 17, N. Y. | 0.25 |
| Coffin & Burr, Incorporated | 60 State Street, Boston 9, Mass. | 0.80 |
| Julien Collins & Company | 105 South La Salle Street, Chicago 3, Ill. | 0.35 |
| Courts & Co. | 11 Marietta St., N. W., Atlanta, Georgia | 0.40 |
| Crowell, Weedon & Co. | 650 South Spring St., Los Angeles 14, Calif. | 0.25 |
| Cruttenden, Podesta & Co. | 209 South La Salle Street, Chicago 4, Ill. | 0.35 |
| Curtiss, House & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Davis, Skaggs & Co. | 111 Sutter St., San Francisco 4, Calif. | 0.35 |
| Dewar, Robertson & Pancoast | 111 Soledad Street, San Antonio, Texas | 0.25 |
| Dick & Merle-Smith | 48 Wall Street, New York 5, N. Y. | 0.80 |
| Dillon, Read & Co. Inc. | 46 William Street, New York 5, N. Y. | 2.80 |
| Dominick & Dominick | 14 Wall Street, New York 5, N. Y. | 1.00 |
| Drexel & Co. | 1500 Walnut Street, Philadelphia 1, Pa. | 1.00 |
| Francis I. duPont & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Eastman Dillon, Union Securities & Co. | 15 Broad Street, New York 5, N. Y. | 1.65 |
| Elworthy & Co. | 111 Sutter Street, San Francisco 4, Calif. | 0.35 |
| Emanuel, Deetjen & Co. | 120 Broadway, New York 5, N. Y. | 0.40 |
| Equitable Securities Corporation | Two Wall Street, New York 5, N. Y. | 0.80 |
| Estabrook & Co. | 15 State Street, Boston 9, Mass. | 0.80 |
| Fahey, Clark & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Farwell, Chapman & Co. | 208 South La Salle Street, Chicago 4, Ill. | 0.35 |
| The First Boston Corporation | 15 Broad Street, New York 5, N. Y. | 2.80 |
| First of Michigan Corporation | Two Wall Street, New York 5, N. Y. | 0.35 |
| First Southwest Company | Mercantile Bank Building, Dallas 1, Texas | 0.40 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. | 725—15th Street, N. W., Washington 5, D. C. | 0.25% |
| Foster & Marshall | 820 Second Avenue, Seattle 4, Wash. | 0.40 |
| Fulton Reid & Co., Inc. | 1186 Union Commerce Building, Cleveland 14, Ohio | 0.35 |
| Glore, Forgan & Co. | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Goldman, Sachs & Co. | 20 Broad Street, New York, N. Y. | 1.65 |
| Goodbody & Co. | 115 Broadway, New York 6, N. Y. | 0.35 |
| Granbery, Marache & Co. | 67 Wall Street, New York 5, N. Y. | 0.35 |
| Hallgarten & Co. | 44 Wall Street, New York 5, N. Y. | 1.00 |
| Hallowell, Sulzberger, Jenks, Kirkland & Co. | Philadelphia National Bank Bldg., Broad & Chestnut Streets, Philadelphia 7, Pa. | 0.35 |
| Wm. P. Harper & Son & Company | 1504 Third Avenue, Seattle 1, Wash. | 0.35 |
| Hayden, Miller & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| Hayden, Stone & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Hemphill, Noyes & Co. | 15 Broad Street, New York 5, N. Y. | 1.00 |
| Henry Herrman & Co. | One Wall Street, New York 5, N. Y. | 0.25 |
| Hornblower & Weeks | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Howard, Weil, Labouisse, Friedrichs and Company | 222 Carondelet Street, New Orleans 12, La. | 0.25 |
| E. F. Hutton & Company | 61 Broadway, New York 6, N. Y. | 0.40 |
| W. E. Hutton & Co. | 14 Wall Street, New York 5, N. Y. | 1.00 |
| The Illinois Company Incorporated | 231 So. La Salle Street, Chicago 4, Ill. | 0.40 |
| Johnston, Lemon & Co. | Southern Building, Washington 5, D. C. | 0.25 |
| June S. Jones & Co. | 509 U. S. Bank Bldg., Portland 4, Oregon | 0.35 |
| Joseph, Mellen & Miller, Inc. | 1170 Union Commerce Building, Cleveland 14, Ohio | 0.25 |
| Kay, Richards & Co. | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Kidder, Peabody & Co. | 17 Wall Street, New York 5, N. Y. | 1.65 |
| Kirkpatrick-Pettis Company | 540 Omaha National Bank Building, Omaha 2, Nebraska | 0.25 |
| Kuhn, Loeb & Co. | 30 Wall Street, New York 5, N. Y. | 2.80 |
| Ladenburg, Thalmann & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| W. C. Langley & Co. | 115 Broadway, New York 6, N. Y. | 0.80 |
| Lazard Freres & Co. | 44 Wall Street, New York 5, N. Y. | 1.65 |
| Lee Higginson Corporation | 20 Broad Street, New York 5, N. Y. | 1.00 |
| Lehman Brothers | One William Street, New York 4, N. Y. | 1.65 |
| Lester, Ryons & Co. | 623 South Hope St., Los Angeles 17, Calif. | 0.25 |
| Carl M. Loeb, Rhoades & Co. | 42 Wall Street, New York 5, N. Y. | 1.00 |
| Irving Lundborg & Co. | 310 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Laurence M. Marks & Co. | 48 Wall St., New York 5, N. Y. | 0.80 |
| Mason-Hagan, Inc. | 1110 E. Main Street, Richmond 10, Va. | 0.25 |
| A. E. Masten & Co. | First National Bank Bldg., Pittsburgh 22, Pa. | 0.35 |
| McCormick & Co. | 231 South La Salle Street, Chicago 4, Ill. | 0.40 |
| McDonald & Company | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| McKelvy & Company | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Merrill Lynch, Pierce, Fenner & Smith | 70 Pine Street, New York 5, N. Y. | 1.65 |
| Merrill, Turben & Co., Inc. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| The Milwaukee Company | 207 East Michigan Street, Milwaukee 2, Wis. | 0.40 |
| Moore, Leonard & Lynch | 1003 Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| Morgan Stanley & Co. | 2 Wall Street, New York 5, N. Y. | 2.80 |
| F. S. Moseley & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| W. H. Newbold's Son & Co. | 1517 Locust Street, Philadelphia 2, Pa. | 0.35 % |
| Newhard, Cook & Co. | 400 Olive Street, St. Louis 2, Mo. | 0.40 |
| The Ohio Company | 51 North High Street, Columbus 15, Ohio | 0.40 |
| Pacific Northwest Company | 402 Exchange Building, Seattle 4, Wash. | 0.80 |
| Paine, Webber, Jackson & Curtis | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Piper, Jaffray & Hopwood | 115 South Seventh Street, Minneapolis 2, Minn. | 0.40 |
| R. W. Pressprich & Co. | 48 Wall Street, New York 5, N. Y. | 1.00 |
| Putnam & Co. | 6 Central Row, Hartford 4, Conn. | 0.80 |
| Reinholdt & Gardner | 400 Locust Street, St. Louis 2, Mo. | 0.40 |
| Reynolds & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |
| Riter & Co. | 40 Wall Street, New York 5, N. Y. | 0.40 |
| The Robinson-Humphrey Company, Inc. | 2000 Rhodes-Haverty Building, Atlanta 3, Ga. | 0.40 |
| Rotan, Mosle & Co | 1510 Bank of Southwest Building, Houston 2, Texas | 0.35 |
| Salomon Bros. & Hutzler | 60 Wall Street, New York 5, N. Y. | 1.00 |
| Schwabacher & Co. | 100 Montgomery St., San Francisco 4, Calif. | 0.40 |
| Shearson, Hammill & Co. | 14 Wall St., New York 5, N. Y. | 0.40 |
| Shields & Company | 44 Wall Street, New York 5, N. Y. | 0.80 |
| Shuman, Agnew & Co. | 155 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Singer, Deane & Scribner | Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| The Small-Milburn Company, Incorporated | 121 North Market Street, Wichita 2, Kansas | 0.25 |
| Smith, Barney & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| F. S. Smithers & Co. | 1 Wall Street, New York 5, N. Y. | 0.40 |
| William R. Staats & Co. | 640 South Spring Street, Los Angeles 14, Calif. | 0.40 |
| Stern, Frank, Meyer & Fox | Union Bank Building, Los Angeles 14, Calif. | 0.25 |
| Stix & Co. | 509 Olive Street, St. Louis 1, Mo. | 0.25 |
| Stone & Webster Securities Corporation | 90 Broad Street, New York 4, N. Y. | 1.65 |
| Stroud & Company Incorporated | 123 South Broad Street, Philadelphia 9, Pa. | 0.40 |
| Spencer Trask & Co. | 25 Broad Street, New York 4, N. Y. | 0.80 |
| Tucker, Anthony & R. L. Day | 120 Broadway, New York 5, N. Y. | 0.80 |
| Underwood, Neuhaus & Co., Incorporated | 724 Travis Street, Houston 2, Texas | 0.25 |
| Vietor, Common, Dann & Co. | Ellicott Square Building, Buffalo 3, N. Y. | 0.25 |
| Wagenseller & Durst, Inc. | 626 South Spring Street, Los Angeles 14, Calif. | 0.25 |
| G. H. Walker & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Joseph Walker & Sons | 120 Broadway, New York 5, N. Y. | 0.25 |
| Walston & Co., Inc. | 74 Wall Street, New York 5, N. Y. | 0.40 |
| White, Weld & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| Dean Witter & Co. | 45 Montgomery Street, San Francisco 6, Calif. | 1.65 |
| Wood, Struthers & Co. | 30 Wall Street, New York 5, N. Y. | 1.00 |
|  | Total | 100.00 % |

**In the Underwriting Agreement, the Company agrees to pay the Underwriters an amount equal to**

**The Underwriting Agreement provides that the several obligations of the Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions.**

The Underwriting Agreement may be terminated by the Underwriters if at any time prior to the delivery of the Unsubscribed Debentures trading in securities on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established.

In connection with the sale of Convertible Subordinated Debentures by Underwriters, concessions may be allowed to certain dealers, including Underwriters, of not in excess of ——%, and reallowances may be allowed to other dealers of not in excess of ——%.

## LEGAL OPINIONS

Legal matters in connection with the issuance of the Senior Debentures, the Convertible Subordinated Debentures and the Capital Stock issuable upon conversion of the Convertible Subordinated Debentures will be passed upon by Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, for the Company, and by Davis Polk Wardwell Sunderland & Kiendl, 15 Broad Street, New York 5, New York, for the Underwriters.

## EXPERTS

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in this Prospectus and in the Preliminary Summary Prospectus under the heading "Summary of Net Earnings and Retained Earnings" insofar as they relate to the years 1948 through 1957 have been reviewed by Touche, Niven, Bailey & Smart, independent certified public accountants, and have been included herein and in the Preliminary Summary Prospectus and in the Registration Statement in reliance upon the opinions of said firm set forth in its reports contained in this Prospectus and in the Registration Statement and upon the authority of said firm as experts in auditing and accounting.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Preliminary Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
June 23, 1958

## BOEING AIRPLANE COMPANY

### BALANCE SHEET

### December 31, 1957

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | | $ 45,147,394 |
| Trade accounts receivable— | | |
| United States | $ 17,370,107 | |
| Other | 3,682,047 | 21,052,154 |
| Other accounts receivable | | 279,786 |
| Estimated balances receivable from the United States— | | |
| For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees | $113,056,099 | |
| For deliveries under contracts for which unit prices have not been established or revised | 51,258,608 | 164,314,707 |
| Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries (Note D) | $654,218,996 | |
| Less advances and progress payments received and accrued | 492,629,759 | 161,589,237 |
| Inventories of parts and materials at the lower of average cost or market | | 14,482,918 |
| Prepaid expenses | | 2,259,755 |
| Total Current Assets | | $409,125,951 |
| **Property, Plant, and Equipment, at cost (Note B):** | | |
| Land ($3,689,331) and buildings | $ 82,662,987 | |
| Machinery, tools, and equipment | 46,150,175 | |
| | $128,813,162 | |
| Less allowance for accumulated depreciation and amortization | 46,910,402 | 81,902,760 |
| | | $491,028,711 |

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Notes payable to banks | | $110,000,000 |
| Accounts payable— | | |
| Trade accounts | $109,750,621 | |
| Other | 541,780 | 110,292,401 |
| Salaries and wages | | 40,797,421 |
| Payroll, property, and excise taxes | | 5,562,012 |
| Incentive compensation for officers and employees | | 3,995,000 |
| Payable to Trustee under retirement plan (Note C) | | 3,702,162 |
| Allowance for 1954 renegotiation, net of taxes (Note A) | | 4,637,956 |
| Federal and state taxes on income | | 33,140,811 |
| Total Current Liabilities | | $312,127,763 |
| **Stockholders' Investment:** | | |
| Capital stock, par value $5 a share— | | |
| Authorized—10,000,000 shares | | |
| Issued and outstanding—6,953,583 shares at stated value (Note E) | $ 94,834,035 | |
| Retained earnings (after transfer to the capital stock account of $78,640,468) (Notes A and F) | 84,066,913 | 178,900,948 |
| **Contingent Liabilities (Notes A and C)** | | |
| | | $491,028,711 |

**See notes to financial statements.**

# BOEING AIRPLANE COMPANY

## STATEMENT OF NET EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Sales (Notes A and D) | $853,827,722 | $1,006,356,748 | $1,596,508,515 |
| Other income | 776,542 | 1,168,142 | 762,052 |
| | $854,604,264 | $1,007,524,890 | $1,597,270,567 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the year (Note D) | $764,603,371 | $ 905,184,904 | $1,466,056,710 |
| Research and developmental expenses | 8,411,913 | 12,458,306 | 19,646,115 |
| General and administrative expenses | 9,408,434 | 9,855,834 | 13,016,688 |
| Depreciation and amortization (Note B) | 4,925,358 | 6,237,686 | 12,422,205 |
| Incentive compensation for officers and employees | 3,250,000 | 3,866,000 | 3,995,000 |
| Other expenses | 1,292,754 | 2,215,562 | 2,468,743 |
| Interest expense | 71,023 | 571,609 | 2,005,399 |
| | $791,962,853 | $ 940,389,901 | $1,519,610,860 |
| **Earnings Before Taxes on Income (Note A)** | $ 62,641,411 | $ 67,134,989 | $ 77,659,707 |
| Federal and state taxes on income: | | | |
| Federal normal income tax and surtax | $ 31,950,000 | $ 34,750,000 | $ 39,090,000 |
| State income taxes | 300,000 | 250,000 | 410,000 |
| | $ 32,250,000 | $ 35,000,000 | $ 39,500,000 |
| **Net Earnings (Note A)** | $ 30,391,411 | $ 32,134,989 | $ 38,159,707 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Balance at January 1 (Note A) | $ 40,998,806 | $ 60,810,877 | $ 61,547,911 |
| Net earnings for the year (Note A) | 30,391,411 | 32,134,989 | 38,159,707 |
| | $ 71,390,217 | $ 92,945,866 | $ 99,707,618 |
| Cash dividends paid | $ 10,579,340 | $ 8,162,577 | $ 6,681,281 |
| Amount transferred to the capital stock account by the Board of Directors: | | | |
| Two-for-one stock split | — | 16,339,924 | — |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | — | 6,895,454 | 8,959,424 |
| | $ 10,579,340 | $ 31,397,955 | $ 15,640,705 |
| Balance at December 31 (Notes A and F) | $ 60,810,877 | $ 61,547,911 | $ 84,066,913 |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**Note A—Renegotiation:**

See Note 1 to "Summary of Net Earnings and Retained Earnings".

**Note B—Property, Plant, and Equipment:**

Included in property, plant, and equipment at December 31, 1957 are fully amortized facilities and fully depreciated assets in the amount of $17,484,695, which facilities were largely in use.

Depreciation is computed on cost. The "straight-line" method is used for all assets acquired prior to January 1, 1954. Substantially all assets acquired subsequent to that date are depreciated under the "sum-of-the-years-digits" method. The rates employed are such as will accumulate depreciation equal to cost over the estimated useful lives of the assets. The asset lives used for depreciation computations are as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and building equipment | 10 to 40 years |
| Factory machinery | 9 to 15 years |
| Shop equipment and tools | 3⅓ to 8 years |
| Other equipment | 1½ to 12½ years |

Amortization of leasehold improvements is based on the shorter of the physical life of the improvements or the period of the lease.

The Company has obtained Certificates of Necessity from the United States Government covering certain facilities acquired during the present emergency period. The certified portion of such facilities is being amortized over sixty-month periods for both accounting and tax purposes.

Maintenance and repairs are charged directly to costs or expenses as incurred. Equipment of only nominal value and renewals and betterments that do not appreciably extend the life of the asset are charged directly to costs or expenses.

Fully depreciated or fully amortized assets which are no longer on hand or are not identifiable are written off by charges to the allowance for accumulated depreciation and amortization. Amounts received on the disposal of fully depreciated or fully amortized assets are taken into income and the costs of such assets and related allowances for accumulated depreciation and amortization are removed from the accounts. When assets which are not fully depreciated are retired or disposed of, the costs of such assets are removed from the accounts and the related allowances for accumulated depreciation are adjusted for the difference between the asset balance and the amount received or salvage value, no profit or loss being recorded. When facilities acquired during the present emergency period with respect to which Certificates of Necessity have been obtained are retired or disposed of, the costs of such facilities and the related accumulated depreciation and amortization are removed from the accounts and the resulting profit or loss is included in the statement of net earnings.

**Note C—Retirement Plan:**

Effective as of January 1, 1955 the Company adopted a non-contributory retirement plan covering all employees who have met the eligibility requirements. The plan is administered by a Retirement Committee appointed by the Board of Directors. Contributions are made by the Company to trustees who shall hold, invest, and distribute the assets of the trust as required by the plan.

The plan provides for normal retirement at age 65 with provision for retirement either earlier or later than normal. Benefits at normal retirement are based on credited service rendered after the attainment of age 30 and completion of three years of service. Basic benefits are based on credited service. Supplemental benefits are related to the monthly earnings of the employee. A portion of the supplemental benefits of the plan will be variable and related to the earnings of the applicable fund and the mortality experience of the group eligible to receive supplemental benefits. The maximum annual pension under the plan is $30,000.

The following charges were made in the accounts to record Company contributions for the three years ended December 31, 1957:

| | Current Service | Past Service | Total |
|---|---|---|---|
| Year ended December 31, 1955 | $ 6,703,518 | $1,635,487 | $ 8,339,005 |
| Year ended December 31, 1956 | 8,377,844 | 1,635,487 | 10,013,331 |
| Year ended December 31, 1957 | 10,066,505 | 1,635,487 | 11,701,992 |

The Company intends to make contributions to the trust for past service costs and interest on the unfunded balances over a period of approximately twelve years commencing with the year 1955. At December 31, 1957 the past service liability not recognized in the accounts was estimated at $12,800,000.

**Note D—Inventories:**

Accumulated charges at December 31, 1957 included amounts relating to items to which the United States Government held title by reason of contract provisions.

Inventories and accumulated charges on fixed-price type contracts used in the computation of cost of sales shown on the statement of net earnings are as follows:

| | |
|---|---|
| January 1, 1955 | $350,897,520 |
| December 31, 1955 | 531,275,580 |
| December 31, 1956 | 663,278,820 |
| December 31, 1957 | 668,701,914 |

Sales are recorded under all fixed-price type contracts at the time completed units are delivered. In determining the amounts at which sales under contracts containing price revision provisions are recorded, consideration is given to the estimated adjustments, if any, that may result at the time final contract prices are negotiated. Under cost-plus-a-fixed-fee and incentive-fee contracts, sales include costs considered reimbursable together with applicable fees.

Cost of sales under all fixed-price type contracts is computed on the basis of the estimated cost (average total contract basis) of deliveries, such estimates being revised periodically so that they approach actual average costs as the contracts progress to completion. Under cost-plus-a-fixed-fee and incentive-fee contracts, cost of sales includes applicable expenditures made or accrued.

**Note E—Capital Stock Account and Stock Option Plan:**

Changes in the capital stock account during the three years ended December 31, 1957 were as follows:

| | Shares | Amount |
|---|---|---|
| Balance at January 1, 1955 | 3,246,436¾ | $60,000,000 |
| Shares issued to officers and employees at market value under the Incentive Compensation Plan— | | |
| 1955 | 11,689 | 968,732 |
| 1956 | 9,859 | 739,425 |
| 1957 | 19,448 | 931,076 |
| Shares issued in 1956 to effect a two-for-one stock split and amount transferred to the capital stock account by the Board of Directors | 3,267,984¾ | 16,339,924 |
| Shares issued as stock dividends and amounts transferred to the capital stock account by the Board of Directors, equal to the market value on declaration dates adjusted for the stock dividend— | | |
| 1956 | 130,720 | 6,895,454 |
| 1957 | 267,445½ | 8,959,424 |
| Balance at December 31, 1957 | 6,953,583 | $94,834,035 |

Stockholders adopted a Stock Option Plan May 6, 1958. For information regarding this Plan reference is made to the heading "Remuneration of Directors and Officers" in this Prospectus.

**Note F—Dividend Restrictions:**

For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

**Note G—Supplementary Profit and Loss Information:**

The amounts of certain expenses incurred during the three years ended December 31, 1957 are tabulated below. All items included in this tabulation were either included in overhead expenses, substantially all of which were distributed to contracts, or were charged to contracts directly except that a portion of amortization in excess of normal depreciation was charged directly to income as follows: 1955, $1,037,691; 1956, $1,176,667; 1957, $1,686,352.

| Item | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Maintenance and repairs | $19,460,361 | $20,917,108 | $20,551,774 |
| Depreciation and amortization of property, plant, and equipment | 4,925,358 | 6,237,686 | 12,422,205 |
| Taxes, other than income taxes: | | | |
| Payroll taxes | 9,739,011 | 11 445,524 | 16,369,938 |
| Sales and business taxes | 2,218,726 | 3,407,296 | 5,138,519 |
| Real estate and personal property taxes | 1,155,638 | 1,150,242 | 1,863,657 |
| State franchise and miscellaneous taxes | 16,759 | 28,760 | 25,971 |
| Rents: | | | |
| Equipment (principally data-processing machines) | 1,405,066 | 1,999,288 | 5,514,119 |
| Ground, buildings, and miscellaneous | 1,254,999 | 1,534,992 | 2,238,928 |
| Royalties | 77,857 | 45,798 | 136,771 |

There are no material amounts to which the Company is committed under leases having terms in excess of three years.

# PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 23.** ***Other Expenses of Issuance and Distribution.***

| | |
|---|---|
| Securities and Exchange Commission registration fee | $ 3,365.74 |
| New York Stock Exchange listing fees and expenses | 5,400.00 |
| Blue Sky expenses | 6,500.00 |
| Federal original issue taxes | 33,657.36 |
| Printing and engraving | 58,400.00 |
| Fees and expenses of Subscription Agent | 91,000.00 |
| Trustee's initial fees and expenses | 12,750.00 |
| Attorneys' fees | 10,000.00 |
| Accounting fees | 4,000.00 |
| Miscellaneous | 4,300.90 |
| Total | $229,374.00 |

All of the above except the Securities and Exchange Commission registration fee and Federal original issue taxes are estimated.

**Item 29.** ***Indemnification of Directors and Officers.***

Article VII, Section 5, of the By-Laws provides as follows:

> "The Company shall indemnify each present and future director or officer of the Company and each present and future director or officer of any wholly owned subsidiary of the Company against all liabilities, costs and expenses which may be imposed on or reasonably incurred by him, including the amount of reasonable settlements, in connection with any claim, action, suit or proceeding hereafter made or instituted in which he may be involved or be made a party by reason of his being or having been a director or officer of the Company or any wholly owned subsidiary of the Company, or by reason of any action alleged to have been taken or omitted by him in any such capacity, except in cases wherein he shall be finally adjudged derelict in the performance of his duties as such director or officer.
>
> "The right of indemnification in this section provided shall inure to each such director or officer whether or not he is a director or officer at the time such liabilities, costs or expenses are imposed or incurred and whether or not the claim asserted against him is based on matters which antedate the adoption of this section; and in the event of his death shall extend to his legal representatives. Each person who shall act as a director or officer of the Company or of any wholly owned subsidiary of the Company shall be deemed to be doing so in reliance upon such right of indemnification; and such rights shall not be exclusive of any other right which he may have.
>
> "None of the provisions of this section shall be construed as a limitation upon the right of the Company to exercise its general power to enter into a contract or undertaking of indemnity with a director or officer in any other proper case not provided for herein."

The laws of Delaware (Section 122 of Title 8 of the Delaware Code of 1953) also provide for the indemnification of directors and officers under certain conditions. Insofar as the foregoing provision of the By-Laws and the laws of Delaware may permit indemnification by the Company of its officers and directors for liabilities arising under the Securities Act of 1933, as amended, the Company understands that it is the opinion of the Securities and Exchange Commission that such indemnification is against public policy as expressed in said act, and therefore is unenforceable. In the event a claim for such indemnification (except insofar as it provides for the payment by the Company of expenses incurred or paid by a director or officer in the successful defense of any action, suit or proceeding) is asserted against the Company by a director or officer, under such By-Law provision, statutory provision or otherwise, with respect to the securities being registered and the Securities and Exchange Commission is still of the same opinion, the Company will, unless in the opinion of counsel for the Company the question has already been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification, under such By-Law provision or otherwise, by it is against public policy, as expressed in said Act, and will be governed by the final adjudication of such issue.

**Item 31(b).** ***Exhibits:***

| | |
|---|---|
| 4(b) | **Trust Indenture for Convertible Subordinated Debentures.** |

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 10th day of July, 1958.

BOEING AIRPLANE COMPANY

J. O. YEASTING

J. O. Yeasting, Vice President—Finance

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| WILLIAM M. ALLEN* | President and Director | July 10, 1958 |
| J. O. YEASTING<br>(J. O. Yeasting) | Vice President—Finance and Director | |
| CLYDE SKEEN* | Controller | |
| WELLWOOD E. BEALL* | Director | |
| DARRAH CORBET* | Director | |
| C. L. EGTVEDT* | Director | |
| D. A. FORWARD* | Director | |
| ARTEMUS L. GATES* | Director | |
| FRED P. LAUDAN* | Director | |
| PAUL PIGOTT* | Director | |
| W. G. REED* | Director | |
| J. E. SCHAEFER* | Director | |
| DIETRICH SCHMITZ* | Director | |
| EDWARD C. WELLS* | Director | |

*By J. O. YEASTING

J. O. Yeasting, Attorney-in-fact

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## BOEING AIRPLANE COMPANY

## Minutes of Special Meeting
## of
## Board of Directors

July 14, 1958

A Special Meeting of the Board of Directors of the Boeing Airplane Company was held at the Offices of the Company at Seattle, Washington, on Monday, July 14, 1958, commencing at 11:30 A.M.

There were present at the meeting the following Directors of the Company:

William M. Allen
Wellwood E. Beall
Darrah Corbet
D. A. Forward
Artemus L. Gates
Fred P. Laudan
Paul Pigott
William G. Reed
J. E. Schaefer
Dietrich Schmitz
Edward C. Wells

Also present at the meeting was Mr. Lowell P. Mickelwait, of Counsel for the Company.

Mr. Allen presided at the meeting and Mr. Prince performed his duties as Secretary.

Mr. Allen reported on the status of the proposed financing, the effect of the recent weakening in the bond market and the status of the negotiations with the Underwriters. He advised that he had just talked with Mr. Yeasting who was in New York; that the Underwriters had indicated a willingness to go forward on the Convertible Debentures at an interest rate of 4½%, with the conversion rate at $50.00 per share; that the Underwriters were still considering their position on the Sinking Fund Debentures, the proposal immediately under consideration being a 5% interest rate and an offering price to the public of 98½% of the principal amount, but that Mr. Yeasting would call again with respect to this matter.

There was general discussion of the subject and at 11:45 A.M. Mr. Allen left the meeting to take the call from Mr. Yeasting in New York. Shortly thereafter he returned and reported that the Underwriters were willing to go forward with the Convertible Debentures on the terms above mentioned and with the Sinking Fund Debentures on the basis above mentioned but limiting the principal amount to $40,000,000. The matter was discussed at length and it was the consensus of the meeting that it was advisable to proceed with the proposed financing after reducing the proposed issue of Sinking Fund Debentures to $40,000,000 principal amount.

There were then submitted to the meeting the following documents relating to the offer to stockholders of the Company of rights to subscribe to $30,597,600 principal amount of % Convertible Subordinated Debentures due July 1, 1980 of the Company:

(1) Underwriting Agreement relating to the underwriting of the Subscription Offer;

(2) Indenture, to be dated July 1, 1958, between the Company and The Chase Manhattan Bank, Trustee, providing for the issuance of the Debentures; and

(3) Amendment Nos. 1 and 2 to the Registration Statement filed June 30, 1958, and July 10, 1958, respectively, with the Securities and Exchange Commission.

Mr. Allen stated that the Directors were being asked to take final action to effect the Subscription Offer and authorize the issuance and sale of the Convertible Subordinated Debentures. Mr. Mickelwait reviewed the changes in the Underwriting Agreement and the Indenture from prior drafts submitted to the Board and reviewed the changes made by Amendments No. 1 and No. 2 to the Registration Statement. After discussion the following resolutions were, on motion duly made and seconded, unanimously adopted:

> RESOLVED, that the title of the $30,597,600 aggregate principal amount of Debentures of the Company (the "Convertible Subordinated Debentures"), the creation of which was authorized by the Board of Directors of the Company at its meeting held on June 23, 1958, is hereby fixed as the "4 1/2% Convertible Subordinated Debentures, due July 1, 1980".

RESOLVED, that the subscription price at which the Company shall offer to the holders of record of the issued and outstanding shares of its Capital Stock the right to subscribe for the Convertible Subordinated Debentures shall be $100 for each $100 principal amount of Debentures.

RESOLVED, that the form, terms and provisions of the form of Indenture, to be dated July 1, 1958, between the Company and The Chase Manhattan Bank, Trustee (the "Indenture") providing for the creation and issue by the Company of the Convertible Subordinated Debentures, which form of Indenture has been presented to this meeting, is hereby in all respects approved; and that when the interest rate, optional redemption prices and conversion rate of the Convertible Subordinated Debentures shall have been appropriately set forth in said form of proposed Indenture, the President or any Vice President of the Company is hereby authorized to execute, in the name and on behalf of the Company and under its corporate seal, attested by the Secretary or any Assistant Secretary of the Company (each of whom is hereby authorized to attest the same), at such time and in such number of counterparts as such officers shall deem proper, an Indenture substantially in the form presented to this meeting and containing substantially the terms and provisions therein set forth, with such changes therein and additions thereto as shall be approved by counsel and by the officer who shall execute the Indenture, the execution thereof by such officer to be conclusive evidence of such approval, to acknowledge the same, and to deliver the counterparts thereof when so executed and acknowledged to The Chase Manhattan Bank against delivery to the Company of one or more counterparts of the Indenture executed and acknowledged by such bank.

RESOLVED, that the form of Underwriting Agreement to be entered into between the Company and Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc., for themselves and as representatives of the other several Underwriters named or to be named therein, a copy of which has been submitted to this meeting, providing for the underwriting of the Subscription Offer, including the purchase by such Underwriters, severally, upon the terms specified in the Underwriting Agreement, of such of the Convertible Subordinated Debentures to be offered for subscription pursuant to Subscription Offer as shall not be issued upon the exercise of Warrants is hereby approved; that the price at which the Company shall sell the Unsubscribed Convertible Subordinated Debentures to the Underwriters, to be set forth in the Underwriting Agreement, shall be an amount equal to the subscription price at which the Convertible Subordinated Debentures are offered to the stockholders of the Company plus accrued interest from July 29, 1958, to the date of delivery; and that the President or any Vice President of the Company is hereby authorized to execute and deliver, in the name and on behalf of the Company, an Underwriting Agreement with respect to the underwriting of the Convertible Subordinated Debentures, in substantially the form submitted to this meeting, with such changes therein as the officer of the Company executing the Underwriting Agreement shall approve, the execution thereof by such officer to be conclusive evidence of such approval.

RESOLVED, that the Convertible Subordinated Debentures bear interest at the rate of 4 1/2% per annum; and that the Company at its option may redeem at any time all, or from time to time any part of, the Convertible Subordinated Debentures upon payment of the following redemption prices (expressed in percentages of the principal amount) together with accrued

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interest to the date fixed for redemption:

If redeemed during the twelve months' period commencing July 1:

| Year | % | Year | % |
|---|---|---|---|
| 1959 | 105 1/2 | 1969 | 102 1/2 |
| 1960 | 105 | 1970 | 102 1/4 |
| 1961 | 104 1/2 | 1971 | 102 |
| 1962 | 104 1/4 | 1972 | 101 3/4 |
| 1963 | 104 | 1973 | 101 1/2 |
| 1964 | 103 3/4 | 1974 | 101 1/4 |
| 1965 | 103 1/2 | 1975 | 101 |
| 1966 | 103 1/4 | 1976 | 100 3/4 |
| 1967 | 103 | 1977 | 100 1/2 |
| 1968 | 102 3/4 | 1978 | 100 1/4 |

all as provided in Article FIVE of the Indenture, and subject to the restrictions therein contained.

RESOLVED, that the Convertible Subordinated Debentures shall be convertible at the option of the holders thereof on or before July 1, 1980, in the manner and upon the terms and conditions provided in Article FOUR of the Indenture, at the principal amount of such Convertible Subordinated Debentures into fully-paid and non-assessable shares of Capital Stock of the Company, at a conversion rate of two shares of Capital Stock for each $100 principal amount of Convertible Subordinated Debentures (equivalent to a conversion price of $50 per share), subject to adjustment as provided in Article FOUR of the Indenture.

RESOLVED, that effective as of the effective date of the Registration Statement on Form S-1 filed by this Company with the Securities and Exchange Commission, the Company hereby reserves for issuance upon and in consideration of the surrender for conversion of the Convertible Subordinated Debentures, in accordance with the provisions of the Indenture, the 611,952 shares of Capital Stock, of the par value of $5 each, of the Company into which the Debentures will initially be convertible, at the conversion rate heretofore fixed by the Board of Directors.

RESOLVED, that the issuance from time to time of shares of Capital Stock of the Company, out of the shares reserved pursuant to the next preceding resolution, upon and in consideration of the surrender for conversion of Convertible Subordinated Debentures in accordance with the provisions of the Indenture, is hereby authorized and approved; and the President or any Vice President, and the Secretary or any Assistant Secretary, or the Treasurer or any Assistant Treasurer, of the Company are hereby authorized and directed to execute certificates in substantially the form heretofore approved for certificates of such Capital Stock and in the same manner heretofore authorized for the issuance of certificates of such Capital Stock.

RESOLVED, that the consideration for the issue of shares of the Capital Stock, of the par value of $5 each, of the Company upon the conversion of any of the Convertible Subordinated Debentures is hereby

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fixed as the principal amount of the Convertible Subordinated Debentures so converted in respect of which such shares are so issued; and that upon any such conversion of Convertible Subordinated Debentures the par value of the Capital Stock so issued shall be credited to the Capital Stock account and the Board of Directors shall determine that portion of the remainder of the consideration received up to 100% thereof that shall be credited to the Capital Stock account and that portion, or such remainder if any, that shall be credited to a capital surplus account; and that shares of Capital Stock so issued upon conversion of Convertible Subordinated Debentures shall be fully paid and non-assessable.

RESOLVED, that for the purpose of the original issue of the shares of Capital Stock reserved for issuance upon conversion of Convertible Subordinated Debentures, as aforesaid, City Bank Farmers Trust Company, the Transfer Agent for the Company , is hereby authorized from time to time to issue and countersign as such Transfer Agent certificates for shares of Capital Stock of the Company as may be requisitioned by The Chase Manhattan Bank as Conversion Agent for the Debentures for not exceeding in the aggregate said 611,952 additional shares of such Capital Stock, to procure the registration of such stock certificates by First National City Bank of New York, New York, N. Y., as Registrar for such Capital Stock (which is hereby authorized to register stock certificates for not exceeding in the aggregate said 611,952 shares of such Capital Stock when such Capital Stock certificates shall be presented to such Registrar, duly executed by or on behalf of the Company and countersigned by said Transfer Agent and thereupon to redeliver such stock certificates, when so registered, to or upon the order of such Transfer Agent), and thereupon to deliver such stock certificates when so countersigned and registered to or upon the order of The Chase Manhattan Bank as Conversion Agent for the Convertible Subordinated Debentures.

RESOLVED, that all the powers and duties of City Bank Farmers Trust Company, as Transfer Agent, and of The First National City Bank of New York, as Registrar, respectively, in respect of the presently outstanding shares of Capital Stock of the Company are hereby extended upon the same terms and conditions to cover the transfer and registration from time to time after the original issue thereof of all shares of such Capital Stock so issued upon conversions of the Convertible Subordinated Debentures.

RESOLVED, that certificates representing fractional shares of Capital Stock of the Company shall not be issued upon any conversions of the Convertible Subordinated Debentures, but, in lieu thereof, the Company shall make adjustments for such fractional interests in cash equal to the current market value of such fractional interests computed on the basis specified in Article FOUR of the Indenture.

RESOLVED, that the compensation to be paid by the Company to the several Underwriters of the Convertible Subordinated Debentures, for their respective commitments to be set forth in the Underwriting Agreement to be entered into between the Company and Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc., for themselves and as Representatives of the other several Underwriters named therein in the form heretofore approved by the Board of Directors of the Company at this

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meeting shall be an amount equal to $1.25 in respect of each $100 principal amount of such Debentures offered for subscription plus an amount equal to $1.00 in respect of each $100 principal amount of Unsubscribed Debentures purchased by the Underwriters and each $100 principal amount of Debentures acquired by the Underwriters through the exercise of rights purchased by them; provided that in the event the principal amount of Unsubscribed Debentures shall be less than $3,059,800 certain payments shall be made to the Company by the Underwriters as provided in the Underwriting Agreement.

RESOLVED, that the form, terms and provisions of Amendment Nos. 1 and 2 to the Registration Statement with respect to the Convertible Subordinated Debentures, as filed with said Commission on June 30, 1958, and July 10, 1958, respectively, are hereby in all respects approved.

RESOLVED, that the proper officers of the Company are hereby authorized to execute in the name and on behalf of the Company, and to procure all necessary signatures to, and to file with the Securities and Exchange Commission, such further amendment or amendments to the Registration Statement referred to in the next preceding resolution as they shall deem necessary or appropriate in order to cause said Registration Statement to become effective as soon as practicable.

RESOLVED, that the proper officers of the Company are hereby authorized to take all such further action, and to execute and deliver all such further instruments and documents, in the name and on behalf of the Company, and under its corporate seal or otherwise, and to pay such expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and accomplish the purposes of the foregoing resolutions.

There were then submitted to the meeting the following documents relating to the proposed issue of Sinking Fund Debentures, due August 1, 1978, of the Company, through a group of Underwriters headed by Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc.:

(1) Underwriting Agreement relating to the underwriting of the Debentures;

(2) Indenture, to be dated August 1, 1958, between the Company and City Bank Farmers Trust Company, Trustee, providing for the issuance of the Debentures; and

(3) Amendment No. 1 to the Registration Statement filed July 10, 1958, with the Securities and Exchange Commission.

Mr. Allen stated that the Directors were being asked to take final action to authorize the issuance and sale of the Sinking Fund Debentures. Mr. Mickelwait reviewed the changes in the form of Underwriting Agreement and Indenture submitted

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to this meeting from drafts of such documents previously submitted to the Board and he reviewed the changes to the Registration Statement effected by Amendment No. 1 thereto. After discussion the following resolutions were, on motion duly made and seconded, unanimously adopted:

> RESOLVED, that the principal amount of % Sinking Fund Debentures due August 1, 1978 (the "Sinking Fund Debentures"), the issuance of which was approved at the meeting of this Board held June 23, 1958, be changed from $60,000,000 to $40,000,000; that whenever in the resolutions adopted by this Board at said meeting in respect of the Sinking Fund Debentures reference is made to a principal amount of $60,000,000 such principal amount is hereby changed to $40,000,000; and that the proper Officers of this Company are hereby authorized to make such changes in the Registration Statement, Prospectus, Summary Prospectus, Indenture, forms of Sinking Fund Debentures and Coupons, and all other letters, instruments and documents as they shall deem necessary or appropriate in order to reflect the foregoing reduction in principal amount of Sinking Fund Debentures from $60,000,000 to $40,000,000.
>
> RESOLVED, that the title of the $40,000,000 aggregate principal amount of Debentures of the Company (the "Sinking Fund Debentures"), the creation of which was authorized by the Board of Directors of the Company at its meeting held on June 23, 1958, is hereby fixed as the "5% Sinking Fund Debentures, due August 1, 1978".
>
> RESOLVED, that the form, terms and provisions of the form of Indenture to be dated August 1, 1958, between the Company and City Bank Farmers Trust Company, Trustee (the "Indenture") providing for the creation and issue by the Company of the Sinking Fund Debentures, which form of Indenture has been presented to this meeting, is hereby in all respects approved; and that when the interest rate and optional redemption prices of the Sinking Fund Debentures shall have been appropriately set forth in said form of proposed Indenture, the President or any Vice President of the Company is hereby authorized to execute, in the name and on behalf of the Company and under its corporate seal, attested by the Secretary or any Assistant Secretary of the Company (each of whom is hereby authorized to attest the same), at such time and in such number of counterparts as such officers shall deem proper, an Indenture substantially in the form presented to this meeting and containing substantially the terms and provisions therein set forth, with such changes therein and additions thereto as shall be approved by counsel and by the officer who shall execute the Indenture, the execution thereof by such officer to be conclusive evidence of such approval, to acknowledge the same, and to deliver the counterparts thereof when so executed and acknowledged to City Bank Farmers Trust Company against delivery to the Company of one or more counterparts of the Indenture executed and acknowledged by such bank.
>
> RESOLVED, that the form of Underwriting Agreement to be entered into between the Company and Harriman Ripley & Co., Incorporated, and Blyth & Co., Inc., for themselves and as representatives of the other

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several Underwriters named or to be named therein, a copy of which has been submitted to this meeting, providing for the purchase by such Underwriters, severally, upon the terms specified in the Underwriting Agreement, of the Sinking Fund Debentures is hereby approved; that the price at which the Company shall sell the Debentures to the Underwriters, to be set forth in the Underwriting Agreement, shall be 97 1/8% of the principal amount plus accrued interest from August 1, 1958, to the date of delivery, and that the President or any Vice President of the Company is hereby authorized to execute and deliver, in the name and on behalf of the Company, an Underwriting Agreement with respect to the underwriting of the Sinking Fund Debentures, in substantially the form submitted to this meeting, with such changes therein as the officer of the Company executing the Underwriting Agreement shall approve, the execution thereof by such officer to be conclusive evidence of such approval.

RESOLVED, that the Sinking Fund Debentures bear interest at the rate of 5% per annum; and that the Company at its option may redeem at any time all, or from time to time any part of, the Sinking Fund Debentures upon payment of the following redemption prices (expressed in percentages of the principal amount) together with accrued interest to the date fixed for redemption:

If redeemed during the twelve months' period commencing August 1:

| Year | % | Year | % |
|---|---|---|---|
| 1959 | 104 3/4 | 1968 | 102 |
| 1960 | 104 1/4 | 1969 | 101 3/4 |
| 1961 | 103 3/4 | 1970 | 101 1/2 |
| 1962 | 103 1/2 | 1971 | 101 1/4 |
| 1963 | 103 1/4 | 1972 | 101 |
| 1964 | 103 | 1973 | 100 3/4 |
| 1965 | 102 3/4 | 1974 | 100 1/2 |
| 1966 | 102 1/2 | 1975 | 100 1/4 |
| 1967 | 102 1/4 | 1976 | 100 1/8 |

all as provided in Article THREE of the Indenture, and subject to the restrictions therein contained.

RESOLVED, that the form, terms and provisions of Amendment No. 1 to the Registration Statement with respect to the Debentures, as filed with said Commission on July 10, 1958, is hereby in all respects approved.

RESOLVED, that the proper officers of the Company are hereby authorized to execute in the name and on behalf of the Company, and to procure all necessary signatures to, and to file with the Securities and Exchange Commission, such further amendment or amendments to the Registration Statement referred to in the next preceding resolution as they shall deem necessary or appropriate in order to cause said Registration Statement to become effective as soon as practicable.

RESOLVED, that the proper officers of the Company are hereby authorized to take all such further action, and to execute and deliver all such further instruments and documents, in the name and on behalf of the Company, and under its corporate seal or otherwise,

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and to pay such expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and accomplish the purposes of the foregoing resolutions.

The President directed that the documents submitted to the meeting be filed with the records of the Company.

At this point Mr. Mickelwait retired from the meeting.

The President asked whether there were any corrections to the minutes of the meeting for May 6, 1958, a copy of which had been forwarded to each of the Directors. There were no corrections offered and the minutes were, upon motion made and seconded, approved.

Mr. Schmitz reported that the Contributions Committee had not met since the last meeting but he reported on three requests for contributions that had been received: first, a contribution in support of the revised Metro Plan for Seattle and surrounding areas to be submitted at the September 9 election; second, a request for contribution to the Building Fund of the proposed North End hospital in the Seattle area; and third, a request for a contribution in support of Initiative 202. These matters were discussed at some length and it was the consensus of the meeting that action should be deferred with respect to the requested hospital contribution, and upon motion made and seconded, it was unanimously

RESOLVED, that a contribution of $3,500 be authorized and approved for the campaign in support of the revised Metro Plan, and that the Company be authorized to make a further contribution of not to exceed $60,000 in support of the Initiative 202, the amount and time of such contribution or installments thereof to be determined by Mr. Allen, provided that this authorization is in lieu of the additional authorization of $5,000 approved at the meeting on June 23, 1958.

RESOLVED FURTHER, that the Officers of the Company are authorized to make contributions in accordance with the foregoing resolution.

Mr. Beall reviewed the proposed Research Budget for the Year 1958, copies of which had been previously furnished to the Directors, and he distributed a substitute Page 5 for such budget. He pointed out that some of the items included in the proposed budget would be covered by contracts with the Government but the exact extent to which this would be done could not be determined at this time. Messrs. Allen and Beall pointed out that it would be desirable for the Company to engage in more extensive research activities than those covered by the proposed budget, but in view of the other commitments it did not appear possible to do so for the remainder of the current year. After discussion, upon motion made and seconded, it was unanimously

RESOLVED, that the proposed Research Budget as submitted at this meeting be approved.

At this point Mr. D. J. Euler was called into the meeting to present the Proposed Capital Asset Budgets for the Third Quarter of 1958. Mr. Euler distributed a Summary of Capital Asset Budgets for the period commencing 1955 and ending May, 1958, and a Summary of Capital Asset Budgets by Division for the Third Quarter of 1958. He reviewed the status of the authorizations and expenditures and estimates to complete for the period commencing January 1, 1955 and reviewed the various items in the proposed budget for the Third Quarter of 1958. The general nature of the equipment for research and development for the Seattle Division was discussed; it was pointed out that the additional authorization for the Missile Production Center was a portion of the modifications to this facility which had previously been discussed and the arrangements for which had been outlined at a previous meeting. Mr. Euler also reviewed the indicated changing requirements of the Company for a greater amount of office and Engineering space and probable requirements for a greater portion of the Engineering area being of a higher quality level. He reported on the Facility Survey presently under way for the Seattle Area. After discussion, upon motion made and seconded, it was unanimously

RESOLVED, that the Summary of Capital Asset Budgets by Division for the Third Quarter of 1958, providing for expenditures in the amount of $6,049,697 be approved, all as set forth in the Summary of Budgets as submitted to this meeting, and that a copy of such Summary be attached to and made a part of the minutes of the meeting.

LIMITED

RESOLVED FURTHER, that the Officers of the Company be authorized to make expenditures for capital assets as provided for in such proposed budgets, it being understood that management is authorized to make adjustments among items within the authorization herein provided.

Copies of Purchase Agreement No. 22, dated June 21, 1958, between this Company and South African Airways, and the Letter Agreement of the same date relating to such Purchase Agreement, which Purchase Agreement provided for the manufacture and sale of three Boeing Model 707-344 Aircraft and spare parts therefor, were submitted to the meeting and reviewed with the request that the Board ratify and approve such Agreements. Upon motion made and seconded, it was unanimously

RESOLVED, that the execution and delivery of Purchase Agreement No. 22, dated June 21, 1958, between this Company and the Government of the Union of South Africa In Its Railways and Harbours Administration for the manufacture and sale by this Company and the purchase by the Government of the Union of South Africa In Its Railways and Harbours Administration of three (3) Boeing Model 707-344 aircraft and spare parts therefor, upon behalf of this Company and in its name by G. R. Sanborn, be and it hereby is approved, confirmed and ratified.

RESOLVED FURTHER, that the execution and delivery to the Government of the Union of South African In Its Railways and Harbours Administration of the following letter agreement dated June 21, 1958, relating to the Purchase Agreement No. 22 on behalf of this Company and in its name by G. R. Sanborn, be and it hereby is approved, confirmed and ratified:

Reference 6-1100-2-401 - Subject: Purchase Agreement No. 22/Boeing Model 707-344 Aircraft - Warranties of Engine Manufacturer.

Mr. Allen advised that it might not be necessary to hold the scheduled meeting of the Directors in August and therefore suggested the advisability of declaring at this time the Third Quarter Dividend. After discussion upon motion made and seconded, it was unanimously

RESOLVED, that out of the retained earnings of this Company, a regular quarterly dividend of twenty-five cents ($0.25) per share be and hereby is declared on the shares of capital stock of this Company issued and outstanding as of the close of business on August 20, 1958, such dividend to be payable September 10, 1958, to stockholders of record at the close of business on August 20, 1958.

LIMITED

RESOLVED FURTHER, That such dividend be paid by the Company through City Bank Farmers Trust Company of New York City and that there be deposited with said City Bank Farmers Trust Company on or prior to September 10, 1958, sufficient funds for payment of said dividend.

Mr. Allen advised that he and certain other of the Directors must attend another meeting and that Messrs. Beall, Schaefer, Wells and Laudan would remain after the meeting to review significant developments of the various major projects of the Company for those Directors who desired to remain and upon motion made and seconded the meeting was adjourned.

Secretary

Approved:

President

LIMITED

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**$30,597,600**

# BOEING AIRPLANE COMPANY

**4½% Convertible Subordinated Debentures, due July 1, 1980**

## UNDERWRITING AGREEMENTS

**Dated July 15, 1958**

# AGREEMENT AMONG UNDERWRITERS

July 15, 1958

Harriman Ripley & Co., Incorporated

Blyth & Co., Inc.

c/o Harriman Ripley & Co., Incorporated
63 Wall Street
New York 5, N. Y.

*Dear Sirs:*

We wish to confirm as follows our agreement with you with respect to the several purchases from Boeing Airplane Company (the "Company") by you and the other Underwriters hereinafter referred to, including ourselves, of such of the $30,597,600 principal amount of 4½% Convertible Subordinated Debentures, due July 1, 1980 (the "Debentures") of the Company as are not subscribed and paid for by the holders of warrants (the "Warrants") evidencing rights to subscribe to the Debentures to be issued pursuant to the Company's Subscription Offer more fully described in the Prospectus relating thereto. The Debentures not so subscribed and paid for are hereinafter sometimes called the Unsubscribed Debentures.

1. *Underwriting Agreement:* Annexed hereto as Exhibit A is a copy of a proposed agreement with the Company (the "Underwriting Agreement") providing for the purchase from the Company by each Underwriter, severally, of the percentage of Unsubscribed Debentures set opposite its name in Section 2 thereof. We authorize you to execute the Underwriting Agreement on our behalf. We further authorize you to act as our Representatives in the underwriting and offering of the Debentures and to take such action as may seem advisable to you in respect thereto.

2. *Transactions During Subscription Period:* We authorize you during the period prior to the expiration of the Warrants, as and to the extent permitted by the applicable rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange:

(a) to buy rights, to sell rights on unsolicited orders and to exercise rights or determine not to exercise any rights so purchased; and

(b) to offer and sell Debentures by public offering, at private sale, to dealers (including Underwriters upon the same terms as provided in Section 3 below) or otherwise, either Debentures acquired through the exercise of rights or in anticipation of the purchase of Unsubscribed Debentures,

all for the accounts of the several Underwriters and as nearly as practicable in proportion to the percentages set forth opposite their names in Section 2 of the Underwriting Agreement. Such sales of Debentures are to be made at prices which it is intended shall not be increased more frequently than once in any calendar day and which shall not be below the Subscription Price as set forth on the cover page of the Prospectus (less, in the case of sales to dealers, a concession of not to exceed 1.50%) nor more than the highest known price at which the Debentures are being offered in the over-the-counter market by a dealer not participating in the distribution, plus an amount equal to any dealer's concession and accrued interest, if any.

3. *Transactions After Expiration of Subscription Period:* When you have been informed by the Company of the principal amount of Unsubscribed Debentures, you will notify us promptly thereof and of the principal amount of Unsubscribed Debentures which we have become obligated to purchase. You

are authorized in your discretion to arrange with the Company for the reservation of Debentures for late subscription where appropriate.

We authorize you to determine, in respect of the Unsubscribed Debentures purchased by us and any Debentures purchased or otherwise acquired for our account during the subscription period and remaining unsold, whether such Debentures shall be (a) delivered against sales made pursuant to Section 2 above, (b) sold by you for the accounts of the several Underwriters, (c) delivered to us, or (d) offered at public sale or otherwise, under terms and conditions to be fixed by you. Aggregate sales of Debentures to institutional and other retail purchasers for the accounts of the Underwriters shall be as nearly as practicable in the same proportions as their respective underwriting commitments, and sales of Debentures to dealers (at such price or prices and with such concessions as you may determine, and under formal agreements or not, as you may elect) for the accounts of the Underwriters shall be in the proportions that Debentures of the respective Underwriters reserved for such sales bear to the total Debentures so reserved.

You shall advise us of the principal amount of Debentures purchased by us which we shall retain for direct sale. With your consent, we may obtain release by you for direct sale of Debentures reserved for sale to dealers but not sold and paid for, in which event the Debentures so reserved shall be correspondingly reduced.

We will advise you from time to time, at your request, of the principal amount of Debentures retained by us remaining unsold. You may at any time (a) reserve such Debentures for sale by you for our account or (b) purchase any such Debentures which, in your opinion, are needed to enable you to make deliveries for the accounts of the several Underwriters pursuant to this Agreement. Such purchases will be made at the public offering price or at such price less all or any part of the dealer's concession.

4. *Delivery and Payment:* At 9:00 A. M., Eastern Daylight Saving Time, on the Closing Date referred to in the Underwriting Agreement (the "Closing Date") we will deliver to you at the office of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York 5, N. Y., a certified or official bank check payable in New York Clearing House funds to the order of Harriman Ripley & Co., Incorporated, or otherwise as you may direct, for the full purchase price of the Unsubscribed Debentures which we are obligated to purchase from the Company. You will make payment to the Company for the Unsubscribed Debentures purchased by us (charging our account for the full purchase price of any such Debentures not paid for by us) against delivery to you for our account of the Unsubscribed Debentures purchased by us.

You will promptly deliver to us Debentures purchased by us and not sold or reserved for sale by you. All other Debentures and capital stock of the Company ("Capital Stock") which you then hold for our account shall be delivered to us upon termination of this Agreement, or prior thereto in your discretion, and may at any time be delivered to us for carrying purposes only, subject to redelivery upon demand. If, upon termination of this Agreement, an aggregate amounting to not more than 10% of the principal amount of Debentures reserved by you for sale to dealers and to institutional and other retail purchasers remains unsold, you may in your discretion sell such Debentures at such prices as you may determine.

We authorize you, in connection with the purchase, distribution and resale of the Debentures, to advance your own funds or to arrange loans for our account and to hold or pledge as security therefor all or any part of the Debentures or shares of Capital Stock which you may be holding for our account. Any lending bank is hereby authorized to accept your instructions with respect thereto.

Upon payment to you for any Debentures purchased by us and sold for our account, you shall promptly remit to us, credit to our account or apply against any advance or loan made for our account the full amount so received.

With respect to the Unsubscribed Debentures purchased by us from the Company, we further authorize you, notwithstanding the provisions of this Section 4, to act as our custodian and to take delivery of such Debentures registered in your name or otherwise and to hold or dispose of them for our account subject to the provisions of this Agreement.

5. *Stabilization:* We authorize you, as and to the extent permitted by the applicable rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange, at any time during the term of this Agreement or for such longer period as may be necessary to cover any short position incurred under the provisions of this Agreement, (a) to make purchases and sales of Debentures, rights and Capital Stock on the New York Stock Exchange or otherwise, in addition to purchases and sales made under the authority of Sections 2 and 3 hereof, either for long or short account, on such terms and at such prices as you may determine, and (b) in arranging for sales of Debentures pursuant to Section 3 hereof, to over-allot, and to make purchases for the purpose of covering any over-allotment so made. All such purchases and sales for long or short account shall be made for the respective accounts of the several Underwriters and as nearly as practicable in proportion to the percentages set forth opposite their names in Section 2 of the Underwriting Agreement. We agree to take up at cost on demand any Debentures, rights and Capital Stock so purchased for our account and to deliver on demand any Debentures, rights and Capital Stock so sold or so over-allotted for our account, provided, however, that at no time shall our net dollar commitment under this Section for long or short account exceed 15% of the maximum principal amount of Debentures which we are obligated to purchase from the Company.

You will notify us promptly if you engage in any transaction hereunder which in your judgment may be deemed to be a "stabilizing transaction" within the meaning of the applicable rules of the Securities and Exchange Commission. We authorize you to file with the Commission, on our behalf, any and all reports required by such rules.

If pursuant to the provisions of the first paragraph of this Section and prior to the termination of this Agreement (or prior to such earlier date as you may have determined) you purchase or contract to purchase for the account of any Underwriter in the open market or otherwise any Debentures which were purchased by us from other Underwriters during the subscription period or were retained by or released to us for direct sale, and which Debentures were therefore not effectively placed for investment by us, we authorize you either to charge our account with an amount equal to any concession to dealers with respect thereto, which shall be credited against the cost of such Debentures, or to require us to repurchase such Debentures at a price equal to the total cost of such purchase, including commissions, if any, and transfer taxes on the redelivery.

We and you agree that neither we nor you will, during the term of this Agreement, bid for, purchase, attempt to induce others to purchase, or sell, directly or indirectly, any Debentures, rights or Capital Stock otherwise than by (a) purchases or sales authorized by you, (b) the purchase or sale of Debentures, rights or Capital Stock as provided in the Underwriting Agreement or in this Agreement, (c) the purchase or sale of Debentures, rights or Capital Stock as broker on unsolicited orders for the account of others, and (d) the sale or exercise of rights received in respect of Capital Stock beneficially owned on the date of this Agreement and sales of Debentures so acquired.

6. *Termination and Settlement:* This Agreement shall terminate 30 days after the expiration of the rights unless sooner terminated by you, but may be extended for a period of time not exceeding an additional 30 days with the consent of a majority in interest of the Underwriters, including yourselves. You may in your discretion on notice to us prior to the termination of this Agreement terminate any of the provisions of Sections 2, 3, and 5 hereof.

Upon termination of this Agreement, all authorizations, rights and obligations hereunder shall cease, except (a) the mutual obligations to settle accounts hereunder, (b) our obligations to pay any claims referred to in the last paragraph of this Section, (c) our obligation with respect to purchases which may be made by you from time to time thereafter to cover any short position incurred hereunder, and (d) the indemnity set forth in Section 8, all of which shall continue until fully discharged.

The accounts arising pursuant to this Agreement shall be settled and paid as soon as practicable after termination. The determination by you of the amounts to be paid to or by us shall be final and conclusive.

We authorize you to charge our account with (a) all transfer taxes on sales made for our account and (b) our proportionate share of all expenses (other than transfer taxes) incurred by you, as Representatives of the several Underwriters, in connection with the issue, the offer for sale to dealers and others and all other expenses arising under the terms of this Agreement or out of the purchase, carrying and sale of Debentures, rights or Capital Stock, together with a reserve to cover possible additional expenses.

Notwithstanding any settlement upon the termination of this Agreement, we will pay our proportionate share of any amount asserted against and discharged by the Underwriters, or any of them, based on the claim that the Underwriters constitute an association, unincorporated business or other separate entity, or based on or arising out of a claim that this Agreement or the Underwriting Agreement is invalid or illegal for any reason, including any expense incurred in defending against such claim, and will pay any transfer taxes which may be assessed thereafter on account of any sale or transfer of Debentures or Capital Stock for our account.

7. *Compensation to Representatives:* As compensation for your services in connection herewith, you are authorized to charge our account and pay to yourselves, when final accounting is made, an amount equal to 0.1875% of the maximum principal amount of Debentures which we agree to purchase from the Company, plus an amount equal to 0.15% of the principal amount of (i) Unsubscribed Debentures purchased by us and (ii) Debentures purchased by us, or for our account, through the exercise of rights purchased by us or for our account.

8. *Indemnity:* Each Underwriter, including yourselves, agrees to indemnify, hold harmless and reimburse each other Underwriter, each person, if any, who controls any other Underwriter within the meaning of Section 15 of the Securities Act of 1933, and any successor of any other Underwriter, all to the extent that each Underwriter will be obligated in the Underwriting Agreement to indemnify, hold harmless and reimburse the Company and its directors and officers, and regardless of any investigation made by or on behalf of any Underwriter.

9. *Miscellaneous:* The Underwriting Agreement provides that the obligations of the Underwriters thereunder are subject, among other things, to the condition that notification that the Registration Statement has become effective shall be received not later than 6:30 P. M., Eastern Daylight Saving Time, on July 15, 1958. You are hereby authorized, in your discretion, to extend such date to not later than 6:30 P. M., Eastern Daylight Saving Time, on the following day, and with the consent of a majority in interest of the Underwriters, including yourselves, to again extend such date, and to take on our behalf any action that may be necessary for such purpose.

With respect to the Underwriting Agreement, you are also authorized in your discretion (a) to postpone the Closing Date or, except as provided in the preceding paragraph, any other time or date specified therein, (b) to exercise any right of cancellation or termination, (c) to arrange for the purchase by other persons (including yourselves or any other Underwriter) of any Unsubscribed Debentures not taken up by any defaulting Underwriter, and (d) to consent to such other changes in the Underwriting Agreement as in your judgment do not materially adversely affect the substance of our rights and obligations thereunder.

Default of any of the other Underwriters with respect to the Underwriting Agreement shall not release us from any of our obligations thereunder or hereunder.

Upon request, you will inform us as to the States in which you have been advised by counsel that the Debentures have been qualified for sale under the respective securities or Blue Sky laws, but you do not assume any responsibility or obligations as to our right to sell such Debentures in any State.

In the event of a public offering, we will not advertise over our name until after the first public advertisement made by you on behalf of the Underwriters and then only at our own expense and risk.

You shall not be under any duty to account for any interest on our funds at any time in your hands. In taking any action under this Agreement you shall act only as agent of the Underwriters, and you shall be under no liability to us except for lack of good faith, for obligations expressly assumed by you in this Agreement and for any liability imposed by the Securities Act of 1933.

You are authorized, in your discretion, on our behalf, with approval of counsel for the Underwriters, Davis Polk Wardwell Sunderland & Kiendl, to approve of or to object to any amendments or supplements to the Registration Statement or Prospectus or Summary Prospectus.

Nothing herein contained shall constitute us partners with you or with the other Underwriters and the obligations of ourselves and of each of the other Underwriters are several and not joint.

Any notice from you to us shall be deemed to have been duly given if mailed or telegraphed to us at our address as set forth in the Prospectus.

You shall send or cause to be sent by registered mail to the Pennsylvania Securities Commission a copy of the Prospectus and, when available, a list of all the Underwriters and a list of dealers, if any, to whom an offering of Debentures is initially to be made. You agree as our Representatives to cause to be filed a Further State Notice under the so-called Martin Act, if required, in respect of Debentures to be offered in the State of New York.

We confirm that we are a member of the National Association of Securities Dealers, Inc.

This Agreement is being executed by us and delivered to you in duplicate. Please indicate your receipt of identical agreements from each of the other Underwriters by confirming this Agreement, whereupon it shall constitute a binding contract between us.

Very truly yours,

..........................................................................

By ....................................................................

Confirmed July 15, 1958

HARRIMAN RIPLEY & CO., INCORPORATED

By........................................................
*Vice President*

BLYTH & CO., INC.

By........................................................
*Vice President*

**EXHIBIT A**

## UNDERWRITING AGREEMENT

July 15, 1958.

Harriman Ripley & Co., Incorporated

Blyth & Co., Inc.

c/o Harriman Ripley & Co., Incorporated
63 Wall Street
New York 5, N. Y.

*Dear Sirs:*

Boeing Airplane Company (the "Company") proposes to issue $30,597,600 principal amount of its 4½% Convertible Subordinated Debentures, due July 1, 1980 (the "Debentures") pursuant to an Indenture dated July 1, 1958 (the "Indenture") between the Company and The Chase Manhattan Bank, Trustee, and to offer the Debentures to the holders of its presently outstanding Capital Stock for subscription at the subscription price of $100 for each $100 principal amount of Debentures at the rate of one $100 principal amount of Debentures for each 23 shares of Capital Stock held of record at the close of business on July 15, 1958 (or such later date as the Registration Statement hereinafter referred to shall become effective). To this end the Company proposes to issue transferable Warrants evidencing rights to subscribe to such Debentures, which rights are to expire at 3:30 P. M., Eastern Daylight Saving Time, on July 29, 1958. The date of first mailing of such Warrants is herein called the Date of Mailing. We confirm as follows our agreement with you and the other Underwriters hereinafter referred to for the several purchases from the Company of such of the Debentures as are not subscribed and paid for pursuant to the exercise of said Warrants (such Debentures being hereinafter sometimes called the "Unsubscribed Debentures").

1. *Registration Statement and Prospectus:* The Company has filed with the Securities and Exchange Commission (the "Commission") in accordance with the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively called the "Act") a Registration Statement, including a preliminary prospectus and a preliminary summary prospectus, relating to the Debentures, the shares of Capital Stock of the Company issuable upon their conversion and the Subscription Offer. As used in this Agreement, the term Registration Statement means such registration statement, including exhibits and financial statements, as amended when it becomes effective, and the terms Prospectus and Summary Prospectus mean the prospectus and the summary prospectus, respectively, as then amended.

2. *Agreement to Sell and Purchase:* The Company agrees to sell to each of the Underwriters named below (for whom you are acting as Representatives), and, upon the basis of the representations and warranties herein contained and subject to all the terms and conditions of this Agreement, each Underwriter agrees, severally and not jointly, to purchase from the Company the respective percentages of the Unsubscribed Debentures set forth below opposite its name (adjusted by you to the extent that no Underwriter will be obligated to purchase a principal amount thereof which shall not be divisible by $100), at $100 for each $100 principal amount of the Unsubscribed Debentures plus accrued interest from July 29, 1958 to the date of payment and delivery (the "purchase price").

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Harriman Ripley & Co., Incorporated | 63 Wall Street, New York 5, N. Y. | 8.225% |
| Blyth & Co., Inc. | 14 Wall Street, New York 5, N. Y. | 8.225 |
| A. C. Allyn and Company, Incorporated | 122 South La Salle Street, Chicago 3, Ill. | 0.80 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Bache & Co. | 36 Wall Street, New York 5, N. Y. | 0.40% |
| Bacon, Whipple & Co. | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Robert W. Baird & Co., Incorporated | 110 E. Wisconsin Ave., Milwaukee 2, Wis. | 0.40 |
| Baker, Weeks & Co. | One Wall Street, New York 5, N. Y. | 0.40 |
| J. Barth & Co. | 404 Montgomery Street, San Francisco 4, Calif. | 0.40 |
| Bateman, Eichler & Co. | 453 South Spring Street, Los Angeles 13, Calif. | 0.25 |
| A. G. Becker & Co. Incorporated | 120 South La Salle Street, Chicago 3, Ill. | 1.00 |
| Blair & Co. Incorporated | 20 Broad Street, New York 5, N. Y. | 0.80 |
| William Blair & Company | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Blunt Ellis & Simmons | 208 South La Salle Street, Chicago 4, Ill. | 0.40 |
| Bosworth, Sullivan & Company, Inc. | 660 Seventeenth Street, Denver 2, Colorado | 0.35 |
| Alex. Brown & Sons | 135 East Baltimore Street, Baltimore 2, Md. | 1.00 |
| Brush, Slocumb & Co. Inc. | 465 California Street, San Francisco 4, Calif. | 0.35 |
| Butcher & Sherrerd | 1500 Walnut Street, Philadelphia 2, Pa. | 0.25 |
| Clark, Dodge & Co. | 61 Wall St., New York 5, N. Y. | 1.00 |
| Richard W. Clarke Corporation | 535 Fifth Avenue, New York 17, N. Y. | 0.25 |
| Coffin & Burr, Incorporated | 60 State Street, Boston 9, Mass. | 0.80 |
| Julien Collins & Company | 105 South La Salle Street, Chicago 3, Ill. | 0.35 |
| Courts & Co. | 11 Marietta St., N. W., Atlanta, Georgia | 0.40 |
| Crowell, Weedon & Co. | 650 South Spring St., Los Angeles 14, Calif. | 0.25 |
| Cruttenden, Podesta & Co. | 209 South La Salle Street, Chicago 4, Ill. | 0.35 |
| Curtiss, House & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Davis, Skaggs & Co. | 111 Sutter St., San Francisco 4, Calif. | 0.35 |
| Dewar, Robertson & Pancoast | 111 Soledad Street, San Antonio, Texas | 0.25 |
| Dick & Merle-Smith | 48 Wall Street, New York 5, N. Y. | 0.80 |
| Dominick & Dominick | 14 Wall Street, New York 5, N. Y. | 1.00 |
| Drexel & Co. | 1500 Walnut Street, Philadelphia 1, Pa. | 1.00 |
| Francis I. duPont & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Eastman Dillon, Union Securities & Co. | 15 Broad Street, New York 5, N. Y. | 1.65 |
| Elworthy & Co. | 111 Sutter Street, San Francisco 4, Calif. | 0.35 |
| Emanuel, Deetjen & Co. | 120 Broadway, New York 5, N. Y. | 0.40 |
| Equitable Securities Corporation | Two Wall Street, New York 5, N. Y. | 0.80 |
| Estabrook & Co. | 15 State Street, Boston 9, Mass. | 0.80 |
| Fahey, Clark & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Farwell, Chapman & Co. | 208 South La Salle Street, Chicago 4, Ill. | 0.35 |
| The First Boston Corporation | 15 Broad Street, New York 5, N. Y. | 2.80 |
| First of Michigan Corporation | Two Wall Street, New York 5, N. Y. | 0.35 |
| First Southwest Company | Mercantile Bank Building, Dallas 1, Texas | 0.40 |
| Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. | 725—15th Street, N. W., Washington 5, D. C. | 0.25 |
| Foster & Marshall | 820 Second Avenue, Seattle 4, Wash. | 0.40 |
| Fulton Reid & Co., Inc. | 1186 Union Commerce Building, Cleveland 14, Ohio | 0.35 |
| Glore, Forgan & Co. | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Goldman, Sachs & Co. | 20 Broad Street, New York, N. Y. | 1.65 |
| Goodbody & Co. | 115 Broadway, New York 6, N. Y. | 0.35 |
| Granbery, Marache & Co. | 67 Wall Street, New York 5, N. Y. | 0.35 |
| Hallgarten & Co. | 44 Wall Street, New York 5, N. Y. | 1.00 |
| Hallowell, Sulzberger, Jenks, Kirkland & Co. | Philadelphia National Bank Bldg., Broad & Chestnut Streets, Philadelphia 7, Pa. | 0.35 |
| Wm. P. Harper & Son & Company | 1504 Third Avenue, Seattle 1, Wash. | 0.35 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Hayden, Miller & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40% |
| Hayden, Stone & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Hemphill, Noyes & Co. | 15 Broad Street, New York 5, N. Y. | 1.00 |
| Henry Herrman & Co. | One Wall Street, New York 5, N. Y. | 0.25 |
| Hornblower & Weeks | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Howard, Weil, Labouisse, Friedrichs and Company | 222 Carondelet Street, New Orleans 12, La. | 0.25 |
| E. F. Hutton & Company | 61 Broadway, New York 6, N. Y. | 0.40 |
| W. E. Hutton & Co. | 14 Wall Street, New York 5, N. Y. | 1.00 |
| The Illinois Company Incorporated | 231 So. La Salle Street, Chicago 4, Ill. | 0.40 |
| Johnston, Lemon & Co. | Southern Building, Washington 5, D. C. | 0.25 |
| June S. Jones & Co. | 509 U. S. Bank Bldg., Portland 4, Oregon | 0.35 |
| Joseph, Mellen & Miller, Inc. | 1170 Union Commerce Building, Cleveland 14, Ohio | 0.25 |
| Kay, Richards & Co. | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Kidder, Peabody & Co. | 17 Wall Street, New York 5, N. Y. | 1.65 |
| Kirkpatrick-Pettis Company | 540 Omaha National Bank Building, Omaha 2, Nebraska | 0.25 |
| Kuhn, Loeb & Co. | 30 Wall Street, New York 5, N. Y. | 2.80 |
| Ladenburg, Thalmann & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| W. C. Langley & Co. | 115 Broadway, New York 6, N. Y. | 0.80 |
| Lazard Freres & Co. | 44 Wall Street, New York 5, N. Y. | 1.65 |
| Lee Higginson Corporation | 20 Broad Street, New York 5, N. Y. | 1.00 |
| Lehman Brothers | One William Street, New York 4, N. Y. | 1.65 |
| Lester, Ryons & Co. | 623 South Hope St., Los Angeles 17, Calif. | 0.25 |
| Carl M. Loeb, Rhoades & Co. | 42 Wall Street, New York 5, N. Y. | 1.00 |
| Irving Lundborg & Co. | 310 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Laurence M. Marks & Co. | 48 Wall St., New York 5, N. Y. | 0.80 |
| Mason-Hagan, Inc. | 1110 E. Main Street, Richmond 10, Va. | 0.25 |
| A. E. Masten & Co. | First National Bank Bldg., Pittsburgh 22, Pa. | 0.35 |
| McCormick & Co. | 231 South La Salle Street, Chicago 4, Ill. | 0.40 |
| McDonald & Company | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| McKelvy & Company | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Merrill Lynch, Pierce, Fenner & Smith | 70 Pine Street, New York 5, N. Y. | 1.65 |
| Merrill, Turben & Co., Inc. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| The Milwaukee Company | 207 East Michigan Street, Milwaukee 2, Wis. | 0.40 |
| Moore, Leonard & Lynch | 1003 Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| Morgan Stanley & Co. | 2 Wall Street, New York 5, N. Y. | 2.80 |
| F. S. Moseley & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |
| W. H. Newbold's Son & Co. | 1517 Locust Street, Philadelphia 2, Pa. | 0.35 |
| Newhard, Cook & Co. | 400 Olive Street, St. Louis 2, Mo. | 0.40 |
| The Ohio Company | 51 North High Street, Columbus 15, Ohio | 0.40 |
| Pacific Northwest Company | 402 Exchange Building, Seattle 4, Wash. | 0.80 |
| Paine, Webber, Jackson & Curtis | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Piper, Jaffray & Hopwood | 115 South Seventh Street, Minneapolis 2, Minn. | 0.40 |
| R. W. Pressprich & Co. | 48 Wall Street, New York 5, N. Y. | 1.00 |
| Putnam & Co. | 6 Central Row, Hartford 4, Conn. | 0.80 |
| Reinholdt & Gardner | 400 Locust Street, St. Louis 2, Mo. | 0.40 |
| Reynolds & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |
| Riter & Co. | 40 Wall Street, New York 5, N. Y. | 0.40 |
| The Robinson-Humphrey Company, Inc. | 2000 Rhodes-Haverty Building, Atlanta 3, Ga. | 0.40 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Rotan, Mosle & Co. | 1510 Bank of Southwest Building, Houston 2, Texas | 0.35% |
| Salomon Bros. & Hutzler | 60 Wall Street, New York 5, N. Y. | 1.00 |
| Schwabacher & Co. | 100 Montgomery St., San Francisco 4, Calif. | 0.40 |
| Shearson, Hammill & Co. | 14 Wall St., New York 5, N. Y. | 0.40 |
| Shields & Company | 44 Wall Street, New York 5, N. Y. | 0.80 |
| Shuman, Agnew & Co. | 155 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Singer, Deane & Scribner | Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| The Small-Milburn Company, Incorporated | 121 North Market Street, Wichita 2, Kansas | 0.25 |
| Smith, Barney & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| F. S. Smithers & Co. | 1 Wall Street, New York 5, N. Y. | 0.40 |
| William R. Staats & Co. | 640 South Spring Street, Los Angeles 14, Calif. | 0.40 |
| Stern, Frank, Meyer & Fox | Union Bank Building, Los Angeles 14, Calif. | 0.25 |
| Stix & Co. | 509 Olive Street, St. Louis 1, Mo. | 0.25 |
| Stone & Webster Securities Corporation | 90 Broad Street, New York 4, N. Y. | 1.65 |
| Stroud & Company Incorporated | 123 South Broad Street, Philadelphia 9, Pa. | 0.40 |
| Spencer Trask & Co. | 25 Broad Street, New York 4, N. Y. | 0.80 |
| Tucker, Anthony & R. L. Day | 120 Broadway, New York 5, N. Y. | 0.80 |
| Underwood, Neuhaus & Co., Incorporated | 724 Travis St., Houston 2, Texas | 0.25 |
| Victor, Common, Dann & Co. | Ellicott Square Building, Buffalo 3, N. Y. | 0.25 |
| Wagenseller & Durst, Inc. | 626 South Spring Street, Los Angeles 14, Calif. | 0.25 |
| G. H. Walker & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Joseph Walker & Sons | 120 Broadway, New York 5, N. Y. | 0.25 |
| Walston & Co., Inc. | 74 Wall Street, New York 5, N. Y. | 0.40 |
| White, Weld & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| Dean Witter & Co. | 45 Montgomery Street, San Francisco 6, Calif. | 1.65 |
| Wood, Struthers & Co. | 30 Wall Street, New York 5, N. Y. | 1.00 |
|  |  | 100.00% |

As compensation to the several Underwriters for their respective commitments hereunder and in the percentages set forth after their respective names above, the Company will pay to you on the Closing Date for the account of the several Underwriters an amount equal to $1.25 in respect of each $100 principal amount of Debentures offered for subscription, plus an amount equal to $1.00 in respect of each $100 principal amount of Unsubscribed Debentures purchased by the Underwriters and each $100 principal amount of Debentures purchased by you for the accounts of the Underwriters through the exercise of rights purchased by you for their accounts.

You agree that in the event the principal amount of Unsubscribed Debentures shall be less than $3,059,800 you, as representatives of the several Underwriters, will use your best efforts to sell such Debentures for the accounts of the several Underwriters at a price above the Subscription Price and that as to whatever such Debentures you are able to sell by 3:30 P. M., Eastern Daylight Saving Time, on August 15, 1958, you will, as soon as practicable thereafter, remit to the Company either (a) if the principal amount of Unsubscribed Debentures shall be not more than $918,000, any excess over the Subscription Price realized on the aggregate of such sales, or (b) if the principal amount of Unsubscribed Debentures shall be more than $918,000 but less than $3,059,800, the greater of (i) 50% of any such excess or (ii) 9,180 (the number of $100 units in $918,000 principal amount of Debentures) multiplied by the average excess per $100 principal amount of Unsubscribed Debentures over the Subscription Price realized on the aggregate of such sales. The excess in any case is to be computed after deducting any selling concessions to dealers, including Underwriters acting as dealers, brokerage commissions, transfer taxes and expenses incident to such sales. Nothing contained herein shall limit your right as representatives of the several Underwriters, in your discretion, to determine the price or prices at which, and the time or times when, any Unsubscribed Debentures shall be sold, whether or not prior to the expiration of the rights and whether or not for long or short account.

For the purpose of computing the amount, if any, due to the Company under the provisions of the preceding paragraph, all Unsubscribed Debentures not sold prior to 3:30 P. M., Eastern Daylight Saving Time, on August 15, 1958, shall be included in the computation as being sold by you for the accounts of the several Underwriters at the last sales price of the Debentures on the New York Stock Exchange (or if not then listed on such Exchange at the closing bid price in the over-the-counter market) on such date, or if there has been no such sale on the New York Stock Exchange on such day, the closing bid price on such Exchange on such day.

The Company agrees that it will, as promptly as possible after the expiration of the Warrants, file with the Commission such amendments or supplements to the Registration Statement or Prospectus or both, as in the opinion of counsel for the Underwriters, Davis Polk Wardwell Sunderland & Kiendl, may be necessary or appropriate in connection with any public or other offering by the Underwriters of the Unsubscribed Debentures and as may be approved by counsel for the Company, and will use its best efforts to secure the expeditious effectiveness of any such amendments to the Registration Statement. The several Underwriters may in their discretion determine the time or times and the price or prices at which any public or other offering of the Unsubscribed Debentures and any Debentures purchased or subscribed for during the subscription period and remaining unsold shall be made.

3. *Delivery and Payment:* Delivery of and payment for the Unsubscribed Debentures and payment of the underwriting compensation specified in Section 2 hereof shall be made at 9:30 A. M., Eastern Daylight Saving Time, on August 6, 1958 (such hour and date being herein called the "Closing Date"), at the office of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York 5, N. Y. The Closing Date may be varied by agreement between us.

Payment shall be made by check or checks drawn on the Federal Reserve Bank of New York payable in Federal funds to the order of the Company with respect to the payment of the purchase price for the Unsubscribed Debentures and by check or checks payable in New York Clearing House funds to the order of Harriman Ripley & Co., Incorporated with respect to the payment of the aforementioned underwriting compensation against delivery of the Unsubscribed Debentures in temporary or definitive form (registered in such names and in such denominations as you shall request by written notice received by the Company at least 96 hours prior to the Closing Date) for the accounts of the several Underwriters. The Unsubscribed Debentures will be made available for checking and packaging at the office of The Chase Manhattan Bank at least three full business days prior to the Closing Date.

4. *Agreements of the Company:* The Company agrees with the several Underwriters as follows:

(a) The Company will advise you promptly, and will confirm such advice in writing, (1) when the Registration Statement has become effective and when any post-effective amendment thereto becomes effective, (2) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or the Summary Prospectus or for additional information, (3) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose, and (4) of the happening of any event during the period mentioned in paragraph (e) below which in the judgment of the Company makes any statement made in the Registration Statement or the Prospectus or the Summary Prospectus untrue or which requires the making of any changes in the Registration Statement or the Prospectus or the Summary Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible moment.

(b) At the time of the commencement of the mailing of the Warrants to the holders of the Company's outstanding Capital Stock, the Company will notify you of such mailing; on each business day during the subscription period, the Company will notify you of the subscriptions received; and as promptly as possible, and in any event, before 1:00 P. M. on the first business day following the date of the expiration of the Warrants, the Company will notify you of the principal amount of Unsubscribed Debentures to be purchased by the several Underwriters, and you will notify the Company of the principal amount of Debentures subscribed for by you for the account of the several Underwriters upon exercise of rights purchased by you for their account.

(c) The Company will furnish to each of you, without charge, two signed copies of the Registration Statement, including financial statements and all exhibits not incorporated therein by reference, and will furnish to you for transmittal to each of the other Underwriters, without charge, a copy of the Registration Statement, including financial statements but not exhibits.

(d) The Company will not file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus or the Summary Prospectus of which you shall not previously have been advised, or to which you shall reasonably object in writing.

(e) On the effective date of the Registration Statement and thereafter from time to time during such period after the effective date of the Registration Statement as in the opinion of your counsel the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, the Company will deliver to each of the Underwriters without charge as many copies of the Prospectus (and of any amendments thereto and as supplemented if the Company shall have made any amendments or supplements thereto) and the Summary Prospectus as you may reasonably request. The Company consents to the use of such Prospectus and the Summary Prospectus by the several Underwriters and by all dealers to whom the Debentures may be sold, both in connection with the offering or sale of the Debentures and for such period of time thereafter as the Prospectus is required by law to be delivered in connection therewith. If during such period of time any event shall occur which in the opinion of your counsel should be set forth in the Prospectus in order to make the Prospectus not misleading, or if it is necessary to supplement or amend the Prospectus to comply with law, the Company will forthwith prepare an appropriate supplement thereto or amended Prospectus, and will furnish to the Underwriters without charge a reasonable number of copies thereof, which the Underwriters shall use thereafter, and if requested by you, the Company will also appropriately amend or supplement the Summary Prospectus and will furnish to you, without charge, a reasonable number of copies thereof.

(f) Prior to any public offering of the Debentures by the Underwriters, the Company will diligently endeavor at its expense to qualify the Debentures (and the Capital Stock issuable upon conversion thereof if and to the extent such qualification be legally required) for offer and sale under the securities or Blue Sky laws of such States as you have requested in writing and will reimburse you for fees and out-of-pocket expenses paid by you for such qualification; provided that in no event shall the Company be obligated to qualify to do business in any State where it is not now so qualified or to take any action which would subject it generally to the service of process in any State where it is not now so subject.

(g) The Company will make generally available to its security holders an earnings statement (which need not be audited) for the twelve month period beginning October 1, 1958, as soon as is reasonably practicable after the end of such period, which earnings statement shall satisfy the provisions of Section 11(a) of the Act.

(h) The Company will pay all expenses in connection with (1) the preparation, printing and filing of the Registration Statement, each preliminary prospectus, the Prospectus, each preliminary summary prospectus and the Summary Prospectus, (2) the Subscription Offer, (3) the issuance and delivery of the Debentures and Warrants (other than transfer taxes), and (4) furnishing such copies of the Prospectus and Summary Prospectus and any preliminary prospectus and preliminary summary prospectus as may be required for use in connection with the offering and sale of the Debentures by the Underwriters or by dealers to whom Debentures may be sold.

(i) If this Agreement shall be terminated pursuant to any of the provisions hereof (otherwise than by notice given pursuant to Section 8 hereof) or if for any reason other than the default of any Underwriter the Company shall be unable to perform its obligations hereunder, the Company will reimburse the several Underwriters for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by them in connection herewith.

(j) So long as any of the Debentures shall remain outstanding, the Company will furnish you with reasonable promptness annual consolidated balance sheets and consolidated statements of earnings and retained earnings of the Company and its consolidated subsidiaries (which shall be audited) and quarterly consolidated statements of earnings and retained earnings of the Company and its consolidated subsidiaries (which need not be audited) and such other information concerning the Company and its subsidiaries as you may reasonably request.

5. *Representations and Warranties of the Company:* The Company represents and warrants to each Underwriter that:

(a) The Registration Statement and the Prospectus and the Summary Prospectus in the form in which they are when the Registration Statement first becomes effective and also in such form as they may be when any amendment thereto filed prior to the Closing Date shall become effective, will fully comply with the provisions of the Act, and the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Commission thereunder (collectively called the "Trust Indenture Act"); and the Registration Statement and the Prospectus at all such times will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Summary Prospectus at all such times will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that this representation and warranty does not apply to statements or omissions in the Registration Statement or Prospectus or Summary Prospectus made in reliance upon information furnished to the Company in writing by or on behalf of any Underwriter expressly for use in connection therewith or in the Statement of Eligibility and Qualification (Form T-1) of the Trustee under the Indenture; and

(b) The Debentures and shares of Capital Stock issuable upon conversion of such Debentures have been duly authorized and will conform to the descriptions thereof in the Prospectus.

6. *Indemnification of and by the Underwriters:* The Company agrees to indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Act, against any and all losses, claims, damages, liabilities and expenses (including reasonable cost of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or Prospectus or Summary Prospectus, or in any amendment or supplement thereto or any preliminary prospectus or preliminary summary prospectus (if used as authorized herein), or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except in so far as such losses, claims, damages, liabilities or expenses arise out of or are based upon any such untrue statement or omission or allegation thereof based upon information furnished in writing to the Company by or on behalf of any Underwriter expressly for use therein.

If any action or claim shall be brought or asserted against any Underwriter or any person controlling an Underwriter in respect of which indemnity may be sought from the Company, such Underwriter shall promptly notify the Company in writing, and the Company shall assume the defense thereof, including the employment of counsel and the payment of all expenses. Any Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless (a) the employment thereof shall have been specifically authorized by the Company or (b) the Company shall have failed to assume the defense and employ counsel.

Each Underwriter agrees to indemnify and hold harmless the Company and its directors and officers to the same extent as the foregoing indemnity from the Company to each Underwriter, but only with respect to information furnished in writing by such Underwriter, or on its behalf, expressly for use in connection with the Registration Statement or Prospectus or Summary Prospectus or any preliminary prospectus or preliminary summary prospectus. In case any action shall be brought against the Company or its directors or officers in respect of which indemnity may be sought against any Underwriter, the Underwriter shall have the rights and duties given to the Company and the Company or its directors or officers shall have the rights and duties given to the Underwriter by the preceding paragraph.

7. *Conditions of Underwriter's Obligations:* The obligations of each Underwriter hereunder are subject to the accuracy of and compliance with the representations and warranties of the Company contained herein as of the date hereof, the Date of Mailing, and the Closing Date, and to the following further conditions:

(a) Notification that the Registration Statement has become effective shall be received by you not later than 6:30 P. M., Eastern Daylight Saving Time, on the date of this Agreement, or at such later date and time as shall be consented to in writing by you;

(b) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission prior to the Closing Date, and you shall have received a certificate, dated the Closing Date and signed by an officer of the Company (who may rely as to proceedings contemplated upon the best of his information and belief), to that effect;

(c) On the Date of Mailing, which shall take place within one day after the time the Registration Statement becomes effective, and on the Closing Date, you shall have received opinions, satisfactory to counsel for the Underwriters, from Holman, Mickelwait, Marion, Black & Perkins, counsel for the Company, to the effect that (1) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware; (2) the Company is duly qualified to transact business and is in good standing in the states of Florida, Kansas, New Mexico and Washington; (3) this Agreement is a valid and binding agreement of the Company; (4) the Indenture has been duly and validly authorized by requisite corporate action, and when duly and validly executed and delivered, will be a valid, binding and enforceable instrument according to its terms, except as limited by bankruptcy, insolvency, reorganization, or other laws affecting enforcement of creditors' rights; (5) proper corporate proceedings have been taken so that the Debentures have been duly authorized, and, when duly executed, authenticated and delivered upon exercise of Warrants or pursuant to this Agreement and upon receipt by the Company of payment therefor, will be, subject to the qualification in clause (4) above, valid and binding obligations of the Company entitled to the benefit of the Indenture and will conform to the description thereof contained in the Prospectus; (6) the Indenture is qualified under the Trust Indenture Act; (7) the shares of such Capital Stock initially issuable upon conversion of the Debentures have been validly authorized and reserved for issuance upon such conversion and, when issued upon such conversion and duly executed by the Company, countersigned by the Transfer Agent and registered by the Registrar, will have been validly issued and fully paid and will be nonassessable; and (8) the Registration Statement and the Prospectus and the Summary Prospectus and any supplements and amendments thereto (except the financial statements, including the Summary of Net Earnings and Retained Earnings and schedules, contained therein, as to which counsel are not required to express an opinion) comply as to form in all material respects with the requirements of the Act and the

Trust Indenture Act and such counsel has no reason to believe, except as aforesaid, that the Registration Statement or the Prospectus contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading or that the Summary Prospectus contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(d) You shall receive on the dates specified in (c) above favorable opinions of Davis Polk Wardwell Sunderland & Kiendl, counsel for the Underwriters, as to the matters set forth in subdivisions (1), (3), (4), (5), (6), (7) and (8) of the preceding paragraph (c);

(e) You shall receive on the Date of Mailing the opinion of Touche, Niven, Bailey & Smart to the effect that they are independent public or certified accountants as required by the Act and that the financial statements (including the Summary of Net Earnings and Retained Earnings and schedules) included in the Registration Statement and Prospectus and Summary Prospectus or incorporated therein by reference comply as to form in all material respects with the applicable accounting requirements of the Act;

(f) You shall have received a certificate dated the Closing Date, signed by an officer of the Company, to the effect that there has not been any substantial adverse change in the condition of the Company, financial or otherwise, from that set forth in the Registration Statement and the Prospectus, other than changes on account of dividends paid or declared, changes arising from transactions in the ordinary course of business, and changes which the Registration Statement and Prospectus indicate may occur; and

(g) The Company shall not have failed prior to the Closing Date to have performed any of the agreements herein contained and required to be performed by it prior to such Closing Date.

8. *Effective Date of Agreement—Termination:* This Agreement shall become effective when notification that the Registration Statement has become effective has been received by you. Until this Agreement becomes effective as aforesaid, it may be terminated by the Company by notifying you or by you, as Representatives of the several Underwriters, by notifying the Company.

This Agreement may also be terminated at any time prior to the Closing Date by notice to the Company from you, as Representatives, if at or prior to such time trading in securities on the New York Stock Exchange shall have been suspended or generally limited, or minimum prices shall have been established on such Exchange, or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established by such Exchange, by the Commission, by any other Federal or State agency, by action of The Congress or by Executive Order.

9. *Miscellaneous:* Notice given pursuant to any of the provisions of this Agreement shall be given (a) to the Company at 7755 East Marginal Way, Seattle 24, Washington, to the attention of the Vice President—Finance, or (b) to the Underwriters by notifying Harriman Ripley & Co., Incorporated, at 63 Wall Street, New York 5, N. Y., and if given by telephone or telegraph shall subsequently be confirmed in writing.

The indemnity agreements contained in Section 6 and the representations and warranties of the Company in this Agreement set forth shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of any Underwriter or by or on behalf of the Company, (b) acceptance of the Debentures and payment therefor hereunder, and (c) termination of this Agreement.

The agreements herein set forth have been and are made solely for the benefit of the several Underwriters and the Company (and of the controlling persons, directors and officers referred to in Section 6), and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The terms "successor" or "successors and assigns" as used in this Agreement shall not include a purchaser, as such purchaser, from any of the several Underwriters of any of the securities to which this Agreement relates.

Please confirm that the foregoing correctly sets forth the agreements between the Company and the several Underwriters.

Very truly yours,

BOEING AIRPLANE COMPANY

By ..........................................................
*Vice President—Finance*

Confirmed, as of the date first above mentioned, on behalf of itself and the other several Underwriters named in Section 2 hereof.

HARRIMAN RIPLEY & CO., INCORPORATED

By ..........................................................
*Vice President*

BLYTH & CO., INC.

By..........................................................
*Vice President*

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Registration No. 2-14218

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 25, D. C.

## AMENDMENT NO. 3

TO

## FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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# Boeing Airplane Company

(Exact name of registrant as specified in charter)

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7755 East Marginal Way, Seattle 24, Washington
(Address of principal executive offices)

J. O. Yeasting, *Vice President—Finance*
7755 East Marginal Way
Seattle 24, Washington

J. P. Murray, *Vice President—Eastern Representative*
1625 K Street N. W.
Washington 6, D. C.

(Name and address of agent for service)

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Amending Prospectus, Item 23 and Exhibits 6 and 14

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## BOEING AIRPLANE COMPANY

### Supplement to Prospectus Dated July 15, 1958

$29,578,500 principal amount of Convertible Subordinated Debentures was subscribed for through the exercise of Rights. The several Underwriters will purchase the remaining $1,019,100 principal amount of Convertible Subordinated Debentures (the Unsubscribed Debentures) as set forth in the Prospectus. During the Subscription Period, the several Underwriters did not purchase or exercise any Rights and did not purchase or sell any Convertible Subordinated Debentures.

The $1,019,100 principal amount of Unsubscribed Debentures has been sold by the Underwriters at a price of 109½% plus accrued interest. The excess of the Selling Price over the Subscription Price of the Unsubscribed Debentures aggregated $94,376.70 (after deducting selling (.378) concessions and transfer taxes) of which $85,014.14 will be paid to the Company. As a result of the foregoing, the net proceeds to the Com~~pany from~~ the sale of the Convertible Subordinated Debentures will be $30,289,953.14 (exclusive of accrued interest on the Unsubscribed Debentures) after deducting underwriting commissions of $392,661 but before deducting other expenses.

1.283

July 30, 1958

**PROSPECTUS**

# $30,597,600

# Boeing Airplane Company

## 4½% Convertible Subordinated Debentures, due July 1, 1980

**(to bear interest from July 29, 1958)**

**Convertible until maturity, unless previously redeemed, into Capital Stock at the conversion rate of 2 shares of Capital Stock for each $100 principal amount of Debentures (equivalent to a conversion price of $50 per share), subject to adjustment in certain events.**

As more fully set forth herein, the Company is offering to the holders of its outstanding Capital Stock of record at the close of business on July 15, 1958 the right to subscribe for these Debentures in the ratio of $100 principal amount of Debentures for each 23 shares of Capital Stock held on such record date. The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958.

The Company has applied for the listing of the Convertible Subordinated Debentures on the New York Stock Exchange.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

| | Subscription Price | Underwriting Commissions(1) | | Proceeds to Company(2) | |
|---|---|---|---|---|---|
| | | Minimum | Maximum | Maximum | Minimum |
| Per Unit ($100 principal amount) | $100 | $1.25 | $2.25 | $98.75 | $97.75 |
| Total | $30,597,600 | $382,470 | $688,446 | $30,215,130 | $29,909,154 |

(1) The Company has agreed to pay the Underwriters $1.25 in respect of each $100 principal amount of Debentures offered for subscription, plus $1.00 in respect of each $100 principal amount of Unsubscribed Debentures and each $100 principal amount of Debentures acquired by the Underwriters through the exercise of rights purchased by them. The minimum and maximum underwriting commissions are based on the assumption that (a) all the Debentures and (b) none of the Debentures, respectively, will be subscribed for by others than the Underwriters. See "Underwriting" herein concerning the contingent payment to the Company of additional funds. The Company has agreed to indemnify the Underwriters against certain liabilities.

(2) Plus accrued interest from July 29, 1958 on Unsubscribed Debentures and before deduction of expenses of the Company estimated at $235,874.

During and after the expiration of the Subscription Offer, the several Underwriters may offer Convertible Subordinated Debentures (including Debentures acquired or to be acquired through the purchase and exercise of Rights or otherwise) to the public at prices which it is intended shall not be increased more frequently than once each day and shall not be less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) nor more than the highest known price at which the Convertible Subordinated Debentures are then being offered by a dealer not participating in the distribution to other dealers plus the amount of any concession allowed to dealers. As a result, the Underwriters may realize profits or losses independent of the underwriting compensation stated above.

**Harriman Ripley & Co.**
Incorporated

**Blyth & Co., Inc.**

The date of this Prospectus is July 15, 1958.

**No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any state to any person to whom it is unlawful to make such an offer or solicitation.**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CONVERTIBLE SUBORDINATED DEBENTURES, CAPITAL STOCK AND RIGHTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SUBSCRIPTION OFFER

Boeing Airplane Company (herein called "the Company") hereby offers to the holders of its Capital Stock of record at 3:30 p. m. Eastern Daylight Saving Time on July 15, 1958 the right to subscribe for its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called "Convertible Subordinated Debentures"), at a Subscription Price of 100% of the principal amount subscribed and at the rate of $100 principal amount of Convertible Subordinated Debentures for each 23 shares of Capital Stock held on the record date.

**Warrants:** Rights to subscribe are evidenced by fully transferable Warrants. One Right will be issued for each full share of Capital Stock held on the record date, and 23 Rights will be required to subscribe for each $100 principal amount of Convertible Subordinated Debentures. Subscriptions will be accepted only for $100 principal amount of Convertible Subordinated Debentures or multiples thereof. Instructions for the use and disposition of the Warrants are set forth on the reverse side thereof.

**Expiration Date:** The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958, and Warrants will become void if not exercised by that time.

**Method of Subscription:** Subscriptions are to be made by filling out and signing the subscription agreement (Form 1) on the face of the Warrant and delivering the Warrant, accompanied by full payment of the Subscription Price, to the Subscription Agent, City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, New York, by 3:30 p. m. Eastern Daylight Saving Time on the Expiration Date. Payment of the Subscription Price must be made in United States dollars and may be in cash or by check or bank draft drawn on a bank in the continental United States or by postal or express money order, payable to the order of City Bank Farmers Trust Company, Agent, or Boeing Airplane Company. If, on or prior to the Expiration Date, the Agent shall actually receive, by telegram or otherwise, payment of the full Subscription Price for Convertible Subordinated Debentures subscribed for, together with a telegram or letter from a bank or broker guaranteeing delivery of the Warrant or Warrants, designated by serial number, such subscription will be accepted subject to receipt by the Agent of the duly executed Warrant or Warrants.

**Purchase and Sale of Rights:** It is expected that the Rights will be traded on the New York Stock Exchange. Rights may be purchased or sold through the usual investment channels. Arrangements have been made with the Subscription Agent whereby a Warrant holder may sell Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23. This service will be rendered by the Subscription Agent, as agent for the Warrant holders, without charge to the Warrant holders (other than the cost of Rights purchased), as the Company will assume all brokerage commissions, transfer taxes and fees and expenses of the Agent. The Subscription Agent may offset buying and selling orders, and the Subscription Agent's execution of other orders is subject to the Subscription Agent's ability to find a buyer or seller.

**Delivery of Convertible Subordinated Debentures:** Convertible Subordinated Debentures in definitive or temporary form will be delivered on or as soon as practicable after the Expiration Date, provided checks given in payment of the Subscription Price and the cost of any Rights purchased have first been cleared.

**Foreign Stockholders:** Warrants will not be mailed to stockholders with A. P. O. or F. P. O. addresses or with addresses outside the continental United States or Canada, but will be held for their accounts by the Agent until 12 noon Eastern Daylight Saving Time on the last business day preceding the Expiration Date, at which time, in the absence of contrary instructions, they will be sold if feasible and the net proceeds distributed to such stockholders.

## SALE OF SENIOR DEBENTURES

The Company has filed a Registration Statement covering $40,000,000 principal amount of 5% Sinking Fund Debentures, due August 1, 1978 (herein called "Senior Debentures" or "Sinking Fund Debentures") which it is proposed will be offered for sale to the public through underwriters by means of a separate prospectus on or about the date the Convertible Subordinated Debentures, to which this Prospectus relates, are first offered to the holders of the Company's Capital Stock. Delivery of and payment for the Senior Debentures will be contingent upon the receipt by the Company of the proceeds from the sale of all the Convertible Subordinated Debentures.

## APPLICATION OF PROCEEDS

The recent growth of the Company's business, as evidenced by the "Summary of Net Earnings and Retained Earnings" herein, coupled with the Government's recent reductions of progress payment and cost reimbursement percentages (hereinafter described), is requiring increased amounts of working capital. Also, during the years 1956 and 1957 the Company expended over $75,000,000 for new capital facilities. As a consequence, at June 16, 1958, the Company had outstanding short-term bank loans of $115,000,000 under open lines of credit aggregating $150,000,000. It is expected that a substantial portion of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures will be used to reduce the aforementioned bank loans.

It is presently anticipated that during the years 1958 and 1959 the Company's expenditures for additions and improvements to its properties and facilities will be roughly equivalent to the estimated aggregate charges of about $40,000,000 for depreciation and amortization for those two years. However, the Company believes that it will require additional funds principally for work in process inventories and receivables. Any balance of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures not applied to the reduction of bank loans will be available, together with retained earnings, for such inventories and receivables. The Company expects to obtain any additional funds which may be required through bank borrowings. However, it may obtain all or a part thereof from other borrowings or from the sale of securities.

## CAPITALIZATION

The capitalization of the Company as of March 31, 1958, and as adjusted to give effect as of that date to the sale of the Senior Debentures and the Convertible Subordinated Debentures, is as follows:

| | Outstanding as of March 31, 1958 | As Adjusted |
|---|---|---|
| **Funded Debt:** | | |
| 5% Sinking Fund Debentures, due 1978, authorized $40,000,000 | None | $40,000,000 |
| 4½% Convertible Subordinated Debentures, due 1980, authorized $30,597,600 | None | 30,597,600 |
| Total Funded Debt | None | $70,597,600 |
| **Stockholders' Investment:** | | |
| Capital Stock, par value $5 a share—authorized 10,000,000 shares(1); issued and outstanding 7,037,447 shares at stated value(2) | $ 97,884,588 | $ 97,884,588 |
| Retained earnings(3)(4) | 91,827,706 | 91,827,706 |
| Total Stockholders' Investment | $189,712,294 | $189,712,294 |

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(1) Of the authorized unissued shares, 274,513 shares are available for issuance under the Company's Stock Option and Incentive Compensation Plans (hereinafter described) free from preemptive rights of stockholders, and 511,952 additional shares are reserved for issuance upon conversion of the Convertible Subordinated Debentures.

(2) In March 1958, the Company issued 83,864 shares of Capital Stock pursuant to the Incentive Compensation Plan and $3,050,553 was credited to the Capital Stock account by reason thereof.

(3) See Note 1 to "Summary of Net Earnings and Retained Earnings" herein.

(4) For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

The Company has an open line of credit aggregating $150,000,000 with a group of seventeen banks. The credit is on an annual review basis and there is no commitment fee. Borrowings are evidenced by unsecured 90-day notes bearing interest at the prime rate in effect at the time of such borrowings. At June 16, 1958, $115,000,000 of borrowings were outstanding against this line of credit.

## PRICE RANGE OF CAPITAL STOCK

The following tabulation sets forth the reported high and low sales prices of the Company's Capital Stock on the New York Stock Exchange from January 1, 1948 through July 14, 1958, adjusted (to the nearest one-eighth) to reflect the three-for-two stock split in May 1952, the two-for-one stock split in May 1954, and the two-for-one stock split in August 1956. The prices are not adjusted for dividends paid in Capital Stock as follows: 1956—2%, and 1957—4%.

| Calendar Year | High | Low | Calendar Year | High | Low |
|---|---|---|---|---|---|
| 1948 | 4⅞ | 3¼ | 1954 | 37½ | 11⅝ |
| 1949 | 4¼ | 3 | 1955 | 44¼ | 27⅜ |
| 1950 | 7 | 3⅞ | 1956 | 65⅜ | 34⅝ |
| 1951 | 9⅜ | 6½ | 1957 | 61⅛ | 29 |
| 1952 | 10⅜ | 7½ | 1958 (through July 14) | 45½ | 34⅛ |
| 1953 | 12⅝ | 9⅛ | | | |

The last sale price on the New York Stock Exchange on July 14, 1958, was $44.625.

## SUMMARY OF NET EARNINGS

The following summary of net earnings and retained earnings for the ten years ended December 31, 1957 has been prepared from financial statements which have been examined by Touche, Niven, Bailey & Smart, independent certified public accountants, as set forth in their report appearing elsewhere in this Prospectus. Information contained in the summary for the three-month periods ended March 31, 1957 and March

| | 1948 | 1949 | 1950<br>(Notes 1 and 2) | 1951 |
|---|---|---|---|---|
| Sales | $126,932 | $286,752 | $307,251 | $337,301 |
| Other income | 373 | 261 | 555 | 656 |
| | $127,305 | $287,013 | $307,806 | $337,957 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the period | $120,196 | $273,224 | $276,711 | $308,734 |
| Research and developmental expenses | 440 | 525 | 1,102 | 1,439 |
| General and administrative expenses | 1,780 | 2,368 | 3,145 | 4,759 |
| Depreciation and amortization | 664 | 713 | 804 | 1,198 |
| Incentive compensation for officers and employees | 180 | 500 | 1,400 | 1,100 |
| Other expenses | 722 | 750 | 305 | 453 |
| Interest expense | 422 | 942 | 112 | 433 |
| | $124,404 | $279,022 | $283,579 | $318,116 |
| **Earnings before Taxes on Income** | $ 2,901 | $ 7,991 | $ 24,227 | $ 19,841 |
| Federal and state taxes on income: | | | | |
| Federal excess profits tax | $ — | $ — | $ 2,520 | $ 2,540 |
| Federal and state income taxes | 1,185 | 3,580 | 10,880 | 10,160 |
| | $ 1,185 | $ 3,580 | $ 13,400 | $ 12,700 |
| **Net Earnings** | $ 1,716 | $ 4,411 | $ 10,827 | $ 7,141 |
| Retained earnings at beginning of period | 29,258 | 30,520 | 32,766 | 40,346 |
| | $ 30,974 | $ 34,931 | $ 43,593 | $ 47,487 |
| Cash dividends paid | $ 1,083 | $ 2,165 | $ 3,247 | $ 3,247 |
| Amounts transferred to the capital stock account by the Board of Directors: | | | | |
| Stock splits (three-for-two in 1952; two-for-one in 1954 and 1956) | | | | |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | | | | |
| Restoration of unnecessary portion of reserve for contract adjustments and indeterminate expenses | (629) | | | |
| | $ 454 | $ 2,165 | $ 3,247 | $ 3,247 |
| Retained earnings at end of period | $ 30,520 | $ 32,766 | $ 40,346 | $ 44,240 |
| Net earnings per share (Note 3) | $0.25 | $0.64 | $1.57 | $1.04 |
| Cash dividends per share (Note 3) | 0.16 | 0.31 | 0.47 | 0.47 |

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**Notes to Summary**

1. Unilateral determinations of excessive profits have been made by the Renegotiation Board for the years 1952, 1953 and 1954, of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. The required net refunds, amounting after credits for applicable federal income and excess profits taxes to $2,946,702, $2,057,793, and $4,637,956, respectively, have been paid or provided for in the accounts. Financial data shown in the above summary have been restated to give effect to the refunds in the applicable years, except that the refund for the year 1952 has been reduced by an allowance of $1,200,000, net of taxes, which was originally provided in the year 1950. Petitions have been filed with the Tax Court of the United States for redetermination of the Board's orders for the years 1952, 1953 and 1954.

The Company does not know and cannot reasonably predict what the Board's actions will be for the years subsequent to 1954. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for years subsequent to 1954 or for the three months ended March 31, 1958.

2. In 1950 the accounting policy of the Company was changed to accrue all applicable fees on cost-plus-a-fixed-fee contracts. Under the former policy the withheld portion of such fees was not accrued until collectible. The effect of the change was to increase sales for 1950 by $1,445,785 and net earnings by $691,230.

## INGS AND RETAINED EARNINGS

31, 1958 has been prepared from financial statements of the Company not examined by independent accountants, but the management of the Company believes that all adjustments necessary to a fair summary of the results for such three-month periods have been included. The summary is subject to, and should be read in conjunction with, the financial statements and related notes included elsewhere in this Prospectus.

| In thousands of dollars | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended December 31, | | | | | | Three months ended March 31, | |
| 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1957 (without audit) | 1958 (without audit) |
| (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Notes 1 and 4) |
| $731,688 | $912,431 | $1,023,514 | $853,828 | $1,006,357 | $1,596,509 | $292,712 | $411,052 |
| 747 | 1,125 | 1,047 | 776 | 1,168 | 762 | 151 | 45 |
| $7[illegible]35 | $913,556 | $1,024,561 | $854,604 | $1,007,525 | $1,597,271 | $292,863 | $411,097 |
| $674,394 | $832,084 | $ 931,446 | $764,603 | $ 905,185 | $1,466,057 | $266,908 | $374,531 |
| 3,539 | 14,561 | 8,541 | 8,412 | 12,458 | 19,646 | 3,015 | 5,773 |
| 6,346 | 6,965 | 8,347 | 9,409 | 9,856 | 13,017 | 2,844 | 3,490 |
| 1,642 | 2,796 | 4,030 | 4,925 | 6,238 | 12,422 | 1,918 | 4,575 |
| 2,500 | 3,000 | 3,900 | 3,250 | 3,866 | 3,995 | 875 | 1,250 |
| 630 | 1,085 | 1,174 | 1,293 | 2,215 | 2,469 | 423 | 214 |
| 922 | 62 | 59 | 71 | 572 | 2,005 | 5 | 1,165 |
| $689,973 | $860,553 | $ 957,497 | $791,963 | $ 940,390 | $1,519,611 | $275,988 | $390,998 |
| $ 42,462 | $ 53,003 | $ 67,064 | $ 62,641 | $ 67,135 | $ 77,660 | $ 16,875 | $ 20,099 |
| $ 7,701 | $ 8,732 | $ — | $ — | $ — | $ — | $ — | $ — |
| 22,423 | 26,011 | 34,726 | 32,250 | 35,000 | 39,500 | 8,800 | 10,600 |
| $ 30,124 | $ 34,743 | $ 34,726 | $ 32,250 | $ 35,000 | $ 39,500 | $ 8,800 | $ 10,600 |
| $ 12,338 | $ 18,260 | $ 32,338 | $ 30,391 | $ 32,135 | $ 38,160 | $ 8,075 | $ 9,499 |
| 44,240 | 30,603 | 43,187 | 40,999 | 60,811 | 61,548 | 61,548 | 84,067 |
| $ 56,578 | $ 48,863 | $ 75,525 | $ 71,390 | $ 92,946 | $ 99,708 | $ 69,623 | $ 93,566 |
| $ 4,326 | $ 5,676 | $ 9,729 | $ 10,579 | $ 8,163 | $ 6,681 | $ 1,666 | $ 1,738 |
| 21,649 | | 24,797 | | 16,340 | | | |
| | | | | 6,895 | 8,960 | | |
| $ 25,975 | $ 5,676 | $ 34,526 | $ 10,579 | $ 31,398 | $ 15,641 | $ 1,666 | $ 1,738 |
| $ 30,603 | $ 43,187 | $ 40,999 | $ 60,811 | $ 61,548 | $ 84,067(5) | $ 67,957 | $ 91,828(5) |
| $1.79 | $2.65 | $4.70 | $4.40 | $4.63 | $5.49 | $1.16 | $1.35 |
| 0.63 | 0.82 | 1.41 | 1.53 | 1.18 | 0.96 | 0.24 | 0.25 |

3. The net earnings and cash dividends per share are based on the number of shares outstanding at the end of each period adjusted for the subsequent stock splits and stock dividends referred to in the above summary.

4. The results of operations for the three months ended March 31, 1958 should not be regarded as necessarily indicative of the results of operations that may be expected for the year ending December 31, 1958.

5. For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

### Interest and Dividends

Initial annual interest charges on the Sinking Fund Debentures and on the Convertible Subordinated Debentures will be $2,000,000 and $1,376,892, respectively.

The Company on June 10, 1958 paid a quarterly cash dividend of 25¢ a share. The payment of future dividends, whether in cash or in stock or both, is dependent upon future earnings, the financial requirements of the Company, and other factors.

## HISTORY AND BUSINESS

### General

The Company was incorporated in Delaware in 1934 to acquire certain assets of United Aircraft & Transport Corporation. However, the original predecessor corporation of the Company was organized by W. E. Boeing in Seattle, Washington, in 1916. The Company's principal executive offices are located at 7755 East Marginal Way, Seattle, Washington, and the principal properties operated by it are located in Seattle and Renton, Washington and Wichita, Kansas. The Company has no subsidiaries.

Since its inception the Company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the Company has also been engaged in research and development work in the military missile field, including management of over-all development of a complete weapons system, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto. The Company's operations are currently conducted through an administrative headquarters, five operating divisions and a Systems Management organization which was recently established to manage advanced weapons systems programs.

All aircraft and missiles currently being produced by the Company are powered by turbojet engines or ramjet and rocket engines. Certain items of equipment for the Company's products, such as engines and engine accessories, instruments, and bombing and fire control systems, are not designed or manufactured by the Company. These items are either furnished by customers or purchased from others. In addition, the Company purchases from others substantial quantities of other components which are designed by the Company.

The Company has not manufactured and delivered any commercial aircraft since 1950. However, in 1955 the Company offered to the commercial airlines of the world a four-engine jet transport aircraft, and the Company has been actively engaged in soliciting sales contracts for commercial jet transport aircraft since that time.

The Company's backlog of business under contract as of year-end for the past three years and on March 31, 1958, divided between military and commercial orders, is as follows:

| Year | Total | Military | Commercial |
|---|---|---|---|
| December 31, 1955 | $2,624,000,000 | $2,272,000,000 | $352,000,000 |
| December 31, 1956 | 3,024,000,000 | 2,385,000,000 | 639,000,000 |
| December 31, 1957 | 2,452,000,000 | 1,659,000,000 | 793,000,000 |
| March 31, 1958 | 2,880,000,000 | 2,067,000,000 | 813,000,000 |

A portion of the work included in the backlog figures tabulated above had been performed as of each of the above dates. Costs applicable to such performance as of each of such respective dates, against which the Company had received substantial progress or advance payments, were as follows:

| | |
|---|---|
| December 31, 1955 | $523,469,000 |
| December 31, 1956 | 655,180,000 |
| December 31, 1957 | 654,219,000 |
| March 31, 1958 | 625,832,000 |

Based on published annual reports of the major airframe manufacturers in the United States for the last five years, the Company believes that it was first in volume of gross sales of aircraft, missiles and related products among such manufacturers during the years 1953, 1954 and 1957 and second during the years 1955 and 1956.

The business in which the Company is engaged is a highly competitive one, which requires extraordinary emphasis on research and development work and the advancement of the state of the art in the development of new products. The necessarily changing requirements of the Federal Government with respect to both the type and quantity of military aircraft, missiles and other weapons systems make uncertain the amount and type of future military business of the Company.

In addition, as commercial aircraft tend to become larger, faster and more costly, the design, development and production of commercial aircraft involve greater financial risks than those inherent in similar programs in prior years. The Company is subject to possible liability by reason of warranties against defects in design, material and workmanship made or existing as a matter of law as an incident to the sale by the Company of aircraft, missiles, spare parts and other products.

The principal developments in the products of the Company, certain changes which have occurred in the nature of such products, and certain additional changes which are presently occurring with respect thereto are further described below.

### Military Production

The Company is an important designer and producer of military aircraft and allied products, particularly large multi-engine aircraft. Subsequent to World War II the Company produced for the United States Air Force substantial quantities of four-engine, propeller-driven B-50 bomber and C-97 cargo and troop transport and KC-97 in-flight refueling tanker aircraft. The last B-50 bomber produced by the Company was delivered to the Government in 1953, and the last KC-97 tanker produced by the Company was delivered in 1956. The Company is not now producing any propeller-driven aircraft. However, substantial quantities of these aircraft are still in use by the Government, and the Company is producing spare parts for such aircraft.

In 1948 the Company delivered to the Government the first prototype model B-47 Stratojet six-engine jet bomber. Delivery of the first production model of this aircraft was made in 1950, and production continued thereafter at a high rate through 1956. Substantial quantities of B-47's were also built by Douglas Aircraft Company and Lockheed Aircraft Corporation for the Air Force under license agreements with the Company.

Although the Company is not now producing any B-47 type aircraft, the Company is continuing to manufacture and sell to the Government substantial quantities of spare parts for this aircraft, and in addition the Company is performing a limited amount of modification, overhaul and repair work on B-47 type aircraft and has contracts to convert a limited number of B-47's for special uses.

In 1951 the first prototype model B-52 Stratofortress aircraft, an eight-engine jet bomber, was rolled out of the Company's Seattle plant. The first production model of this aircraft was delivered to the Government in 1954. Since that date substantial quantities of this aircraft have been produced, both in Seattle and in Wichita. Production of B-52's presently constitutes the major portion of the Company's business in Wichita and a substantial portion of the Company's business in Seattle. The final delivery of B-52 aircraft in Seattle is presently scheduled for February 1959. A contract for an improved version of this model, the B-52G, was received by the Company in 1957 and production of this version is now underway in Wichita. Deliveries of this version under present contracts are currently scheduled for completion early in 1960; however, the Company has been informed by the Government that it is considering the ordering of a limited additional quantity of this model for delivery following completion of deliveries under present contracts.

In 1952 the Company, at its own expense, embarked upon a program of design, development and construction of a four-engine jet tanker-transport prototype, at a cost of approximately $16,000,000. The twofold objective of the program was to develop a military jet tanker aircraft for in-flight refueling of jet bombers and fighters and for other military purposes, and to develop a jet transport aircraft for commercial purposes. The prototype made its first flight in July 1954, and shortly thereafter the Company was awarded a contract by the United States Air Force for the production of a military jet tanker-transport aircraft, designated the KC-135. The first production model of the KC-135 was delivered to the Government in January 1957. Production of this model and spare parts therefor now constitutes a substantial portion of the Company's business in the Seattle-Renton area.

The Company's first research contract in the missile field was received in 1945. Since that time the Company has been continuously engaged in research and development work in this field and is currently producing for the Air Force the Bomarc IM-99, a supersonic area defense missile. The Bomarc missile, powered by liquid boost rocket and ramjet engines, has an over-all length of 47 feet, has a range of 200 to 250 miles, and an operating altitude of about 60,000 feet. In addition to the missile itself, the Company has the responsibility for providing most of the other components of the weapons system, including launching and control equipment, for installing such components at Government-provided launching bases, and for integrating the complete weapons system. Much of the equipment and work is provided through subcontractors.

Further research and development work in the area defense field is continuing under a contract with the United States Air Force for a program to extend the range of the Bomarc IM-99 missile beyond 400 miles, to improve other performance capabilities, and to change to a solid fuel boost rocket engine.

The Company is currently establishing new scientific research laboratories in order to increase its efforts in both general and applied research. The Company is also conducting specific investigations and studies in various additional areas which are believed to have potential for new military business, including manned and unmanned long-range glide rockets and other advanced airborne and ballistic vehicles and advanced military transport-tanker equipment. Proposals in some of these areas have been made to agencies of the Government but no production contracts have been received by the Company. However, on June 16, 1958, the Air Force announced that the Company and one other aircraft company had been selected for a preliminary design competition for the Air Force's advanced boost glide aircraft called Dyna-Soar. The ultimate objective of the program is to develop a boost glide vehicle to orbit around the earth one or more times under control and to make a controlled return to the earth. Research and development contracts have been placed with both sources for the development of competitive preliminary designs. Each source will utilize the specialized skills of other companies in developing its design.

The Company is also producing small gas turbine engines on a limited basis for use principally by the Navy as power plants for small boats, by the Navy and the Air Force as auxiliary power supply units, and for experimental use in helicopters and radio-controlled target aircraft.

As is indicated above, since World War II the Company's military business may be roughly divided into three categories: large multi-engine bombers, large multi-engine transport-tanker type aircraft, and missiles. As the state of the art of the aircraft industry has advanced from propeller-driven to jet-engine-powered aircraft, the Company has been successful in maintaining its position as a principal producer of multi-engine heavy bomber and tanker type aircraft. The B-47 and B-52 production programs followed on after the B-50 production program. Likewise, the KC-135 jet tanker-transport program was a logical follow-on to the C-97 and KC-97 series aircraft. The Company currently has a substantial production program for B-52 bomber aircraft, but the Company is not now working on a multi-engine bomber as a replacement for the B-52. The Company also has a substantial production program for the new KC-135 tanker-transport aircraft. While it is possible that military weapons systems of the future will not require tanker aircraft support, the Company believes there will be a continuing requirement for this type aircraft for use as a transport and other specialized purposes. In the missile field the Company's efforts have been constantly increasing, although the Company has only one missile production program, the Bomarc IM-99.

As a result of the accelerating emphasis throughout the world on the development of missiles and other weapons systems utilizing equipment and design and production techniques some of which are not traditional to the aircraft industry, and the requirement that Government contractors assume increased responsibility for the development and integration of complete weapons systems, the Company has recently enlarged its activities in these areas and may be expected in the future to expand such activities. The new Systems Management organization of the Company has been established to organize, manage and coordinate the development and production of advanced weapons systems for which the resources of two or more companies are required. The changes occurring in the nature of future military weapons systems are requiring research and

development work by the Company in new technological fields and are leading it into competition with companies in other industries with whom it has not heretofore been in competition. The extent to which the Company will obtain future military business in these fields will depend in large measure upon its ability to become proficient in these technologies and to provide the required over-all weapons system management.

## Government Contracts

Substantially all of the Company's government contracts covering work performed for the Government are either of the fixed price incentive or cost reimbursement type. The fixed price incentive type provides for establishment of a target cost, price and profit either at time of execution of the contract or after some production experience has been obtained and for participation, within the limits provided in the contract, by the Company and the Government in the underrun or overrun of the actual cost compared to the target cost. The cost reimbursement type provides for reimbursement of costs with certain exceptions and payment of a fee as specified in each contract. In addition to provisions for termination for default, all of these government contracts provide that they may be terminated by the Government whenever the Government determines that such termination is in its best interest. Upon termination for the convenience of the Government, the Company is entitled to be paid its costs, with certain exceptions, and in general a proportionate share of the profit or fee on the work done.

For a number of years the Company received progress payments as work was performed under fixed price type contracts of amounts up to 90% of costs incurred. In 1955 the Government reduced progress payments under such contracts to 75% of total costs, and in August of 1957 to 70%. Also, in November 1957 the Government reduced current reimbursement percentages under cost reimbursement contracts from 100% to 80% of expenditures thereunder. As a result of these changes, the Company is required to finance a greater portion of the work in process inventories and receivables under government contracts.

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. The Renegotiation Board has issued unilateral orders for the years 1952, 1953 and 1954 determining that the Company earned excessive profits (before adjustment for applicable income taxes) for such years of $10,000,000, $7,500,000 and $10,000,000, respectively, requiring refunds to the Government of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. After giving effect to applicable federal income and excess profits tax credits, the net amount of the refund for each of such years is $2,946,702, $2,057,793 and $4,637,956, respectively. The Company has paid or provided for the net refunds as above stated and has filed with the Tax Court of the United States petitions for redetermination of the Board's orders. It is expected that the 1952 case will be tried in the fall of 1958. The Renegotiation Act provides that the Tax Court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board and that the proceeding shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo*. The Company does not know and cannot reasonably predict what the actions of the Renegotiation Board will be for the years 1955, 1956, 1957 and 1958. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for any periods subsequent to 1954. However, there is no assurance that the Company may not be required to make refunds for those years or that the Company will be successful in its suits with respect to the Board's orders for the years 1952, 1953 and 1954.

## Commercial Production and Contracts

Prior to World War II the Company was a pioneer in the design and manufacture of commercial transport aircraft. Since World War II and prior to the advent of the jet transport era, its only production of commercial aircraft was the twin-deck, four-engine, propeller-driven Model 377 Stratocruiser. In late 1945 and in 1946 orders were obtained for 55 Stratocruisers from six

domestic and foreign airlines. These aircraft were delivered in 1949 and 1950 at a total loss to the Company of about $13,800,000 exclusive of applicable general and administrative and selling expenses. This loss resulted from a combination of unfavorable factors, including among others, a four-and-one-half months' strike at Seattle in 1948 and unforeseen delays in production schedules and in obtaining certification by the Civil Aeronautics Administration.

The Company's experience with the design, construction and flight testing of the four-engine jet tanker-transport prototype previously mentioned enabled it to offer a commercial jet transport aircraft to the commercial airlines based on actual flight performance of a prototype aircraft. In 1955 the Company obtained from the Government the right to use on a rental basis in the construction of commercial jet aircraft certain Government-owned land, buildings and general purpose machinery and equipment which are used by the Company in its other operations. The Company also obtained from the Government the right to use for the same purpose certain Government-owned jigs, dies, fixtures, special test equipment and other special tooling used by the Company in its KC-135 project, subject to the payment to the Government of an agreed portion of the estimated cost of such special tooling based upon the usage made thereof by the Company in the production of commercial aircraft and subject to the right of the Government to terminate such usage if it should interfere with present or future Government delivery schedules. The Company believes present Government schedules could be substantially accelerated without resulting in such interference.

The Company has now developed five versions of a four-engine jet transport aircraft which have been ordered by commercial airlines. Four of the versions are known as the Model 707, two of which are of extreme long range called the Intercontinental, and two of which are long range called the Stratoliner. The fifth version is of short-to-medium range and is known as the Model 720. The first order for Model 707 aircraft was obtained in October 1955, and 184 Model 707 and 720 jet transports have now been ordered by six United States and nine foreign airlines. In addition, the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives. Of these aircraft 164 are included in the Company's backlog of commercial orders at March 31, 1958, shown above.

The rollout (October 28, 1957) and first flight (December 20, 1957) of the first production jet transport, a Stratoliner, occurred ahead of the originally established schedule. This aircraft and the second and third production models had accumulated an aggregate of 390 hours of flight time by June 17, 1958. These three aircraft are undergoing extensive Civil Aeronautics Administration (CAA) certification test programs. It is the opinion of the Company that the substantial flight time of 942 hours (as of June 17, 1958) on the prototype will materially shorten the time which would otherwise be required to obtain CAA certification. The first certificated Stratoliner is scheduled by contract to be delivered in December 1958, the first Intercontinental in August 1959, and the first Model 720 in April 1960; however it is presently anticipated that the first certificated Stratoliner will be delivered prior to the contract date. The status of all commercial aircraft now in production is such that barring unforeseen difficulties deliveries thereof are expected to be made on or ahead of contract schedules.

Substantial advance payments are obtained from commercial customers prior to the commencement of and during the manufacture of the aircraft ordered. In connection with certain orders for Model 707 aircraft, the Company has entered into agreements relating to the purchase by the Company of sixteen used aircraft, under which the Company may, under certain conditions, have a maximum obligation of approximately $4,500,000. With respect to the sale of aircraft to certain airlines, the Company has agreed to accept interest-bearing notes for a limited portion of the sales price, the maturities of some of which extend up to seven years after delivery of the aircraft to which such notes relate.

The design, production and sale of commercial aircraft has been and is a highly competitive business. The Model 707 and 720 transports are directly competitive with long and medium range jet transports being offered both in this country and in foreign countries by a number of domestic and foreign manufacturers.

The Company believes that it has made good progress in re-establishing itself in the commercial aircraft business. It plans to continue its development of advanced models of aircraft to meet the future requirements of the airlines and is currently conducting investigations and studies for this purpose. However, as previously pointed out, the development, testing, construction and marketing of new aircraft such as the Model 707 and 720 is a hazardous undertaking. The ultimate success of the Company in the commercial field will depend upon many things, including among others, the total quantity sold which in turn is dependent in part on the financial capabilities of the world's commercial airlines; whether the Company can produce the aircraft at costs reasonably within the limits of the estimates of cost used in establishing sales prices for the aircraft; the ability of the Company to obtain CAA certification of the aircraft within a reasonable period of time; and unforeseeable changes in general economic, industrial and international conditions or in legislative, governmental or administrative regulations which take place between the commencement of production and the delivery of aircraft.

**Employee Relations**

On June 1, 1958 the Company had slightly more than 90,000 employees, about two-thirds of whom were employed in the Seattle-Renton area. Substantially all factory employees at the Seattle, Renton and Wichita plants are represented by locals of the International Association of Machinists (A.F.L.-C.I.O.). Professional engineers (other than supervisory) at the Seattle and Renton plants are represented by the Seattle Professional Engineering Employees Association, and at Wichita by the Wichita Engineering Association. The Company has agreements with these and other unions covering wages, hours and other conditions of employment.

An agreement was recently reached with a lodge of the International Association of Machinists, covering about 36,000 employees in the State of Washington, which is subject to renewal or termination on April 22, 1960. The agreement provides for certain increases in wage rates effective May 23, 1958 and May 23, 1959, the aggregate of which are generally no greater than those granted in recent settlements by other major West Coast airframe companies. The agreement also provides for negotiation on the subject of wage rates, relating to the period after May 22, 1959, if request for such negotiation is made at least 60 days prior to that date, but without the right to strike in the event agreement as to change is not reached.

The agreement with a lodge of the International Association of Machinists covering about 17,000 employees at Wichita, is subject to renewal or termination on July 22, 1958, but provides for an automatic extension to August 22, 1958, if a new agreement has not been reached prior to July 22. The Company is currently engaged in negotiations with this union.

The other agreements are subject to renewal at various times during the year 1958 or subsequently, and provide that negotiations toward renewal may be opened in advance of the date for renewal.

There have been no work stoppages at Company plants since the strike at the Seattle plants which ended in September 1948.

The Company has in effect various benefit plans which form a comprehensive employee security program. These plans include a non-contributory trusteed retirement plan for employees, and group insurance plans which offer life, accident and hospital and surgical insurance to employees, and hospital and surgical insurance to their dependents. Reference is made to Note C to the financial statements for further information concerning the retirement plan.

An Incentive Compensation Plan for Officers and Employees of the Company was first adopted by the stockholders in 1947. The Plan provides in effect that in any year the Board of Directors may set aside a sum not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such sum awards are made by the Incentive Compensation Committee elected by the Directors to such officers and employees, and certain former employees and the survivors of certain deceased employees, as the Committee shall determine. The members of the Committee are not eligible to participate in any awards. No award in excess of 5% of the fund may be made in any one year to any one officer or employee. Awards of less than $500 and awards to former employees and the survivors of deceased employees are paid in cash. Awards of $500 or more after deductions required by federal or state statute are paid approximately one-half in cash and one-half in

Capital Stock at the market value thereof on the distribution date. However, the Plan provides that the Board of Directors may direct that a greater portion of any award shall be paid in Capital Stock if the Board determines that this is in the best interests of the Company. Awards for the year 1957, which were paid to the maximum extent possible under the Plan in full shares of Capital Stock, were made to 7,940 officers and employees in the aggregate amount of $3,994,390, of which $102,790 was paid to fifteen executive officers of whom six were also directors.

## DESCRIPTION OF PROPERTY

The following tabulation summarizes the approximate building and land areas of the principal operating properties of the Company showing the relationship between the Company-owned and Company-leased and Government-owned facilities operated by the Company under contract as of April 30, 1958. The tabulation also shows the approximate relationship between Company-owned and Government-owned machinery and equipment.

| | Company-Owned Facilities | | Government-Owned Facilities | | Facilities Leased from Others | | Ownership of Machinery and Equipment | |
|---|---|---|---|---|---|---|---|---|
| | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Company | Government |
| Seattle Area* | 4,671,029 | 233.59 | 3,420,790 | 147.21 | 1,334,346 | 230.17 | 40% | 60% |
| Renton Area | 741,861 | 68.17 | 2,333,430 | 92.99 | 33,581 | 41.39 | 60% | 40% |
| Wichita Area | 328,816 | 30.35 | 5,050,863 | 540.97 | 356,484 | 34.25 | 5% | 95% |
| Moses Lake Area* | — | — | 768,241 | 327.20 | — | — | 10% | 90% |
| | 5,741,706 | 332.11 | 11,573,324 | 1,108.37 | 1,724,411 | 305.81 | | |

* Certain land, buildings, and machinery and equipment owned by the Government and operated by the Company or leased from others located in the nearby communities of Auburn, Bellevue and Tacoma, Washington, and used for office, warehousing and other support functions for both Seattle and Renton operations, are included in the Seattle Area in the tabulation above. The Moses Lake facilities in eastern Washington are used for flight test and delivery of military aircraft.

In 1955, the Company embarked on a substantial program for expansion of its capital facilities, including a new Developmental Center at Seattle and a new manufacturing and office facility at Renton. These two facilities are now substantially completed and the others included in the program are nearing completion. The following tabulation shows the capital expenditures for each year during the period 1948 through 1957:

| Year | Gross Additions to Plant, Property and Equipment |
|---|---|
| 1948 | $ 1,142,341 |
| 1949 | 1,413,408 |
| 1950 | 2,908,571 |
| 1951 | 5,175,449 |
| 1952 | 6,675,358 |
| 1953 | 8,009,875 |
| 1954 | 5,061,959 |
| 1955 | 7,521,100 |
| 1956 | 30,847,605 |
| 1957 | 45,043,425 |
| Total | $113,799,091 |

During the ten-year period plant, property and equipment retirements aggregated $3,354,921.

Of the total additions to plant, property and equipment made during this period, the Company obtained Certificates of Necessity pursuant to which $45,706,749 of the cost of such additions is being amortized over sixty-month periods commencing as to each project with the month following the completion date of such project.

No runways and taxiways located on airport properties are included in the first tabulation under this heading, since all such facilities are used by the Company jointly with others. The Company's right of use of such facilities on Boeing Field, Seattle, Washington, is provided under a 75-year lease from King County, Washington, dated September 14, 1955, and the Company's right of use of such facilities at Renton, Washington is provided under a 5-year lease with the City of Renton dated June 1, 1955, which contains two options in the Company to extend the term for five

years on each option. At Wichita, Kansas, the Company's right of use of such facilities on the McConnell Air Force Base originated pursuant to an agreement with the Board of Park Commissioners of the City of Wichita dated April 10, 1939, and extends for such period of time as the Company continues to own, maintain and operate a factory for the manufacture of aircraft at the present location. The McConnell Air Force Base was acquired by the Government in 1951 subject to the Company's rights under the aforesaid agreement.

The facilities contracts between the Company and the United States Government, pursuant to which the Government furnishes to the Company the Government-owned land, buildings, and machinery and equipment referred to herein, provide for the use of such facilities with the approval of the Government on work for the Government without payment of any rental or usage charge, and are subject to termination at the convenience of the Government. Contract AF33(600)-36041, pursuant to which the Government furnishes to the Company approximately 26 acres of land, office and factory buildings having approximately 540,700 square feet of floor space, and certain machinery and equipment, all located in Seattle, Washington, does not presently authorize the use of facilities furnished thereunder on work other than for the Government. The other facilities contracts authorize the use of Government facilities furnished thereunder on non-Government contract work with the approval of the Government and upon the payment of rental charges for such use.

The facilities referred to above which are furnished to the Company under Contract AF33(600)-36041 were first made available to the Company in February 1958, and are presently being rehabilitated and modernized for use in the production of Bomarc missiles. It is anticipated that such facilities will be ready for full use early in 1959.

The Government furnishes to the Company certain office space, installations and equipment at various Air Force bases, of which the most substantial amount is at Cape Canaveral and Patrick Air Force Base, Florida, for use in missile testing.

The properties of the Company are generally well maintained and in good operating condition. The Company maintains a continuous program of improvements and modernization, but it cannot estimate the extent to which new developments in aircraft and missiles may make any of its properties obsolete.

Except for current taxes, assessments, rights of way and other restrictions which do not materially interfere with the use of its plants and properties, the Company knows of no material defects in title to the properties owned by it nor of any major encumbrances thereon. However, no special examination of title to properties has been made in connection with this offering.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the Company are:

| Name | Title |
|---|---|
| William M. Allen | President and Director |
| Wellwood E. Beall | Senior Vice President and Director |
| J. B. Connelly | Vice President—General Manager, Transport Division |
| Darrah Corbet | Director |
| C. L. Egtvedt | Chairman and Director |
| D. A. Forward | Director |
| Artemus L. Gates | Director |
| C. B. Gracey | Vice President—Operations |
| Fred P. Laudan | Vice President—Manufacturing and Director |
| A. F. Logan | Vice President—Labor Relations |
| George C. Martin | Vice President—General Manager, Seattle Division |

| Name | Title |
|---|---|
| J. P. Murray | Vice President—Eastern Representative |
| Evan M. Nelsen | Treasurer |
| Paul Pigott | Director |
| J. E. Prince | Vice President—Administration and Secretary |
| William G. Reed | Director |
| J. E. Schaefer | Vice Chairman and Director |
| Dietrich Schmitz | Director |
| N. D. Showalter | Vice President—General Manager, Wichita Division |
| Clyde Skeen | Controller |
| Edward C. Wells | Vice President—General Manager, Systems Management Office, and Director |
| Lysle A. Wood | Vice President—General Manager, Pilotless Aircraft Division |
| J. O. Yeasting | Vice President—Finance and Director |

All the executive officers named in the foregoing table have been actively engaged in the business of the Company for more than the past five years. Mr. Egtvedt devotes only a portion of his time to the Company's business and receives no compensation except director's fees.

Mr. D. A. Forward is a Senior Vice President of The First National City Bank of New York. The Company maintains a line of credit with and borrows money from that bank from time to time in the ordinary course of business. At June 16, 1958, the Company's borrowings from that bank aggregated $30,355,000.

### Remuneration of Directors and Officers

The following tabulation sets forth the aggregate remuneration paid by the Company during the year 1957 (1) to each director, and each of the three highest paid officers of the Company, whose aggregate direct remuneration exceeded $30,000 and (2) to all directors and officers of the Company as a group, and the estimated annual benefits each of such persons will be paid under the Company's Retirement Plan upon retirement at the normal retirement date and assuming no change in present rates of compensation:

| Name of Individual or Identity of Group | Capacities in which Remuneration was Received | Aggregate Direct Remuneration (1) | Estimated Annual Benefits upon Retirement |
|---|---|---|---|
| William M. Allen | President | $120,100 | $ 19,610 |
| Wellwood E. Beall | Senior Vice President | 83,660 | 25,375 |
| Fred P. Laudan | Vice President—Manufacturing | 46,520 | 11,390 |
| J. E. Schaefer | Vice Chairman (2) | 46,520 | 8,875 |
| Edward C. Wells | Vice President—Engineering | 68,645 | 22,385 |
| J. O. Yeasting | Vice President—Finance | 52,700 | 13,420 |
| Directors and Officers (including above) as a group | | 772,970 | 178,235 |

(1) The amounts shown in the column entitled "Aggregate Direct Remuneration" include awards made under the Incentive Compensation Plan for the year 1956 which were paid in the year 1957. The provisions of the Plan are briefly outlined under "Employee Relations".

(2) Mr. Schaefer was elected Vice Chairman of the Company on May 7, 1957. Prior thereto he had been Vice President—General Manager of the Wichita Division.

The stockholders at the annual meeting on May 6, 1958, adopted a Stock Option Plan. Under the Plan an aggregate of not more than 200,000 shares of Capital Stock (subject to proportionate adjustment for future stock dividends, stock splits and other changes in Capital Stock) may be issued pursuant to options granted by a committee of directors, the members of which are ineligible to receive options, to officers and key employees of the Company at not less than 100% of the prevailing market price at the time each option is granted. Not more than 10% of the maximum number of shares that may be issued pursuant to options may be issued to any one officer or employee pursuant to options granted under the Plan, and no option may be exercised until the holder has remained in the employ of the Company for at least two years after the granting of the option. All options must be restricted stock options within the meaning of that term as used in Section 421 of the Internal Revenue Code, and no option may be granted which is exercisable more than ten years after the date it is granted. Stock issued upon the exercise of an option must be paid for in cash. No options have been granted under the Plan as of the date of this Prospectus.

### Ownership of Securities

On June 1, 1958 the officers and directors of the Company, as a group, owned beneficially, directly or indirectly, 79,536 shares of the Company's Capital Stock or 1.13% of the Capital Stock then outstanding.

## DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are to be issued under an Indenture to be dated July 1, 1958 between the Company and The Chase Manhattan Bank, Trustee. A copy of the Indenture in the form in which it will be executed is filed as an Exhibit to the Registration Statement. References are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such reference. Wherever a defined term is indicated, the definition thereof is contained in §1.01 of the Indenture.

The principal amount of Convertible Subordinated Debentures which may be issued under the Indenture is limited to $30,597,600. Such Debentures are to be unsecured obligations of the Company, maturing July 1, 1980 and bearing interest from July 29, 1958 at the rate specified on the cover page payable semi-annually on January 1 and July 1.

Principal and interest are payable at the principal office of the Trustee in the Borough of Manhattan, The City of New York (§7.03).

### Redemption

**Optional Redemption.** The Convertible Subordinated Debentures may be redeemed by lot at the option of the Company, as a whole at any time or in part from time to time (provided in either case that at the time the notice of redemption is first published it is not in default in the payment of any Senior Indebtedness), on any date prior to maturity, on not less than 30 days' nor more than 90 days' published notice, at the following redemption prices (expressed in percentages of the principal amount):

**IF REDEEMED DURING THE TWELVE MONTHS' PERIOD ENDING JULY 1,**

| Year | Percentage | Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|---|---|
| 1959 | 105½ | 1964 | 103¾ | 1969 | 102½ | 1974 | 101¼ |
| 1960 | 105 | 1965 | 103½ | 1970 | 102¼ | 1975 | 101 |
| 1961 | 104½ | 1966 | 103¼ | 1971 | 102 | 1976 | 100¾ |
| 1962 | 104¼ | 1967 | 103 | 1972 | 101¾ | 1977 | 100½ |
| 1963 | 104 | 1968 | 102¾ | 1973 | 101½ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, together with accrued interest to the date of redemption (§5.01(a) and §5.02).

**Sinking Fund Redemption.** The Convertible Subordinated Debentures are also redeemable by lot, on like notice, through the sinking fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, on January 1, 1968 and on each January 1 thereafter to and including January 1, 1979 (§5.01(b) and §5.02).

See "Certain Provisions of the Senior Debentures" for additional restrictions on the optional or sinking fund redemption of Convertible Subordinated Debentures.

### Sinking Fund

Prior to January 1, 1968 and prior to January 1 of each year thereafter to and including January 1, 1979 the Company will pay to the Trustee, as a mandatory sinking fund, $1,750,000 plus accrued interest on the Convertible Subordinated Debentures to be redeemed through the sinking fund. At its option the Company may make an additional sinking fund payment (provided that at the time notice thereof is first given to the Trustee the Company is not in default in the payment of any Senior Indebtedness) on or before the due date of any mandatory sinking fund payment in an amount up to but not exceeding $1,750,000. No optional sinking fund payment shall have the effect of reducing any mandatory sinking fund payment. The option to make such additional sinking fund payment is not cumulative and to the extent not exercised shall terminate (§6.01 and §6.02).

At its option the Company may make any mandatory sinking fund payment in whole or in part in cash or in Convertible Subordinated Debentures or by a credit for Convertible Subordinated Debentures previously converted or redeemed but not theretofore applied as a credit (other than those converted after being called for redemption through the sinking fund) (§6.04).

### Subordination

In the event of any dissolution, total liquidation or reorganization of the Company, the payment of the principal of and premium, if any, and interest on the Convertible Subordinated Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, but this will not affect the obligation of the Company (except during the pendency of any such dissolution, total liquidation or reorganization) to make payments of principal, premium, if any, or interest on such Debentures. Upon the payment in full of all Senior Indebtedness, the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments applicable to Senior Indebtedness upon any dissolution, total liquidation or reorganization of the Company, whether in insolvency proceedings or otherwise, until the principal of and premium, if any, and interest on such Debentures shall have been paid in full (§3.02 and §3.03).

Senior Indebtedness is defined as all indebtedness (other than the Convertible Subordinated Debentures) incurred, assumed or guaranteed by the Company which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to such Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness (§1.01). The Senior Debentures are Senior Indebtedness within the meaning of this definition.

By reason of such subordination, in event of insolvency, creditors of the Company, other than holders of Senior Indebtedness and holders of Convertible Subordinated Debentures, may recover less, ratably, than holders of Senior Indebtedness, but more, ratably, than holders of such Debentures upon any such distribution of assets.

### Conversion Rights

The holder of any Convertible Subordinated Debenture has the right, at his option, at any time on or before July 1, 1980 (except that in case such Debenture shall be called for

redemption, such right shall terminate at the close of business on the tenth day prior to the date fixed for redemption) to convert such Debenture or any part of the principal amount thereof which is $100 or a multiple of $100 into shares of Capital Stock of the Company (as defined) at the conversion rate set forth on the cover page hereof (subject to adjustment) (§4.01, §4.04 and §4.05).

The Indenture contains provisions to protect the conversion rate against dilution by making appropriate adjustments therein upon the occurrence of certain events, including, among other things, the issuance of Capital Stock or securities convertible into Capital Stock and a reclassification or change of the Capital Stock. Any such adjustment will be based upon the consideration received for such Capital Stock or upon the conversion rate for such convertible securities. However, in making such adjustments, stock dividends of not more than 4% in any one year and not more than 12% in the aggregate shall be treated as though issued for a consideration equal to the market price of the Capital Stock on the date of declaration of such dividends to the extent such stock dividends have been "earned" within the meaning of the Indenture. Adjustments are cumulative but are required to be made only if the resulting change in the conversion rate is not less than 1/20th of a share of Capital Stock and need be made only to the largest possible multiple of 1/20th of a share. No adjustment is required to be made upon the issuance of up to 350,000 shares of Capital Stock appropriately adjusted for stock dividends, stock splits and stock consolidations, pursuant to the Company's Stock Option Plan or Incentive Compensation Plan (§1.01 and §4.05).

Upon conversion of any Convertible Subordinated Debenture, an appropriate cash payment will be made in lieu of issuing fractional shares of Capital Stock, but no adjustment will be made for interest accrued on any such Debenture or for dividends on any Capital Stock issued on conversion (§4.02 and §4.03).

Debentures may be presented for conversion at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

### Restriction on Additional Funded Indebtedness

The Company will not, nor will it permit any Subsidiary to, create, guarantee or assume any additional Funded Indebtedness unless immediately thereafter Consolidated Net Tangible Assets shall be at least 225% of Consolidated Funded Indebtedness (§7.08).

Funded Indebtedness is defined as debt of the Company or any Subsidiary which matures more than one year after the date such Funded Indebtedness is determined, but there is excluded from such definition, among other things, (a) debt secured by certain permitted encumbrances including purchase money mortgages or other liens created simultaneously with the acquisition or construction of property and encumbrances existing on any property at the time of acquisition, (b) debt secured by any encumbrance hereafter created on any unimproved property now owned by the Company, (c) debt secured by certain permitted encumbrances, including liens created under Regulation V of the Federal Reserve System or, under specified conditions, in connection with war or defense production, (d) debt, whether secured or unsecured, identified with government contracts for production, research or development, (e) debt incurred for the purpose of enabling the Company or a Subsidiary to hold or finance customers' paper arising out of the sale of products or merchandise and (f) debt hereafter incurred which is expressly subordinated to the Convertible Subordinated Debentures (§1.01).

Consolidated Net Tangible Assets is defined as the total assets of the Company and its Subsidiaries less current liabilities, amortization and depreciation reserves and other asset valuation reserves, treasury stock, intangible assets, write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost, and adjustments for minority interests, if any, in Subsidiaries (§1.01).

Subsidiary is defined as any corporation of which the Company or one or more of its other Subsidiaries owns more than 50% of the voting securities and whose accounts are customarily consolidated with those of the Company, but does not include a corporation substantially all of whose physical properties are outside the United States and Canada or which has been organized for the purpose of financing the sale or lease of aircraft or as a Western Hemisphere Trade Corporation (§1.01). The Indenture contains certain other restrictions relating to Subsidiaries, although the Company at present has no subsidiaries.

### Restriction on Dividends, Distributions and Certain Acquisitions

The Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares) or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings (as defined) subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness which has been converted into stock after such date), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan (§7.12).

See "Certain Provisions of the Senior Debentures" for further restrictions on dividends, distributions, purchases and redemptions.

### Concerning the Trustee

The Indenture provides that the Trustee, except during the existence of an Event of Default, shall undertake to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default the Trustee may exercise the rights and powers vested in it by the Indenture and shall use the same degree of care as a prudent man would exercise under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the powers vested in it unless offered reasonable indemnity by the Debentureholders (§10.01 and §10.02).

The holders of a majority of the aggregate principal amount of the Convertible Subordinated Debentures outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or to exercise any trust or power conferred on the Trustee (§9.09).

### Events of Default and Notice Thereof

The Indenture defines as an "Event of Default": 30 days' default in payment of interest; default in payment of principal or premium, if any; 30 days' default in payment of any sinking fund obligation; 90 days' default, after notice from the Trustee or the holders of at least 25% in principal amount of outstanding Convertible Subordinated Debentures, in performance of any other covenant; and certain events in bankruptcy, insolvency, or reorganization proceedings (§9.01).

The Indenture provides that the Trustee shall, within 90 days (exclusive of the periods of grace, if any, stated above) after the happening thereof, give due notice to the Debentureholders of any occurrence of any uncured Event of Default known to it. However, unless such default be the failure to pay the principal of or premium, if any, or interest on any of the Convertible Subordinated Debentures, or to pay a sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice

is in the interests of the Debentureholders (§9.10). On or before April 15 in each year the Company must file with the Trustee an Officers' Certificate (as defined) with respect to the existence or absence of any default by the Company in the performance or fulfillment of certain covenants contained in the Indenture (§7.15). The Indenture does not require the furnishing of any periodic evidence to the Debentureholders as to the absence of default or as to compliance with the terms of the Indenture.

The Trustee or the holders of 25% of the Convertible Subordinated Debentures may declare the principal of any such Debentures due upon the happening of an Event of Default but the holders of a majority of such Debentures may waive any such default and rescind such declaration if the default is cured (§9.01). Debentureholders may not institute any proceedings to enforce the Indenture unless the Trustee refuses to act after request from the holders of 25% of such Debentures and a tender to the Trustee of reasonable indemnity, but any Debentureholder may enforce payment of principal of, premium, if any, and interest on his own Debenture when due (§9.06 and §9.07).

### Modification of the Indenture

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Convertible Subordinated Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing any of the provisions of the Indenture or modifying the rights of the holders of such Debentures or coupons; provided that no such supplemental indenture shall (a) extend the fixed maturity of any Convertible Subordinated Debentures, reduce the principal amount thereof, reduce any premium payable upon the redemption thereof, reduce the rate or extend the time of payment of interest thereon, or impair the right to convert such Debentures without the consent of the holder of each Convertible Subordinated Debenture so affected, or (b) reduce the aforesaid percentage of Debentureholders required to consent to any such supplemental indenture, without the consent of the holders of all such Debentures then outstanding (§13.02).

In addition, the Indenture provides that the Company and the Trustee may execute supplemental indentures without the consent of the Debentureholders in order to provide security for the Convertible Subordinated Debentures, or to add additional covenants, restrictions, conditions or provisions for the protection of Debentureholders, or to clarify ambiguous provisions in the Indenture, or to make such other provisions as the Company may deem desirable which shall not be inconsistent with the provisions of the Indenture or of any supplemental indenture and which shall not adversely affect the interests of Debentureholders (§13.01).

## CERTAIN PROVISIONS OF THE SENIOR DEBENTURES

As previously mentioned under the heading "Sale of Senior Debentures" in this Prospectus, the Company has authorized the issue of $40,000,000 principal amount of Sinking Fund Debentures, due August 1, 1978. These Senior Debentures are to be issued under an Indenture dated August 1, 1958 between the Company and City Bank Farmers Trust Company, Trustee. A copy of such Indenture in the form in which it is to be executed is an Exhibit to the Registration Statement. A separate Prospectus summarizes the provisions of such Indenture and the rights of holders of the Senior Debentures.

The Indenture under which the Senior Debentures are to be issued provides that the Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares), or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class or any subordinated

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indebtedness, including the Convertible Subordinated Debentures, if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness other than the Convertible Subordinated Debentures which has been converted into such stock), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan. This restriction will not prevent, among other things, the making of any sinking fund or similar payment required to be made by the terms of any subordinated indebtedness, including the Convertible Subordinated Debentures.

The Senior Debentures may be redeemed at the option of the Company in whole or in part at any time at specified redemption premiums. In addition, the Senior Debentures are entitled to the benefits of a sinking fund requiring the annual retirement, beginning in 1964, of $2,700,000 principal amount of Senior Debentures and, at the option of the Company, not more than an additional $2,700,000 principal amount annually.

## DESCRIPTION OF CAPITAL STOCK

The total authorized shares of Capital Stock of the Company is 10,000,000 of the par value of $5 each.

Subject to the restrictions on dividends set forth above under "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures", holders of the Capital Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. The amount of retained earnings at December 31, 1957 which will be available for payment of dividends under the foregoing restrictions was $10,000,000.

Stockholders are entitled to one vote for each share and to vote cumulatively for directors. Upon liquidation stockholders are entitled to share ratably in the assets available for distribution. The Capital Stock has such preemptive or subscription rights as are accorded by the common law of Delaware except that under its Certificate of Incorporation the Company may issue and sell to officers and employees, free of preemptive rights, up to 200,000 shares plus additional amounts determined on the basis of stock dividends after April 24, 1956, applied to the then unissued balance of such shares. After giving effect to the declaration of stock dividends subsequent to such date and to the issuance of 103,312 shares of Capital Stock in payment of awards under the Company's Incentive Compensation Plan, the number of shares of Capital Stock presently available for issuance to officers and employees of the Company under the Certificate of Incorporation free from preemptive rights is 274,513.

The shares issued upon conversion of the Convertible Subordinated Debentures in accordance with their terms will be fully paid and non-assessable.

## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below have severally agreed to purchase from the Company, and the Company has agreed to sell to them severally, at the Subscription Price set forth on the cover of this Prospectus, plus accrued interest from the date of the expiration of the Subscription Offer, the respective percentages set forth below of such of the Convertible Subordinated Debentures as shall not be subscribed for through the exercise of Rights (the Unsubscribed Debentures).

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Harriman Ripley & Co., Incorporated | 63 Wall Street, New York 5, N. Y. | 8.225% |
| Blyth & Co., Inc. | 14 Wall Street, New York 5, N. Y. | 8.225 |
| A. C. Allyn and Company, Incorporated | 122 South La Salle Street, Chicago 3, Ill. | 0.80 |
| Bache & Co. | 36 Wall Street, New York 5, N. Y. | 0.40 |
| Bacon, Whipple & Co. | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Robert W. Baird & Co., Incorporated | 110 E. Wisconsin Ave., Milwaukee 2, Wis. | 0.40 |
| Baker, Weeks & Co. | One Wall Street, New York 5, N. Y. | 0.40 |
| J. Barth & Co. | 404 Montgomery Street, San Francisco 4, Calif. | 0.40 |
| Bateman, Eichler & Co. | 453 South Spring Street, Los Angeles 13, Calif. | 0.25 |
| A. G. Becker & Co. Incorporated | 120 South La Salle Street, Chicago 3, Ill. | 1.00 |
| Blair & Co. Incorporated | 20 Broad Street, New York 5, N. Y. | 0.80 |
| William Blair & Company | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| Blunt Ellis & Simmons | 208 South La Salle Street, Chicago 4, Ill. | 0.40 |
| Bosworth, Sullivan & Company, Inc. | 660 Seventeenth Street, Denver 2, Colorado | 0.35 |
| Alex. Brown & Sons | 135 East Baltimore Street, Baltimore 2, Md. | 1.00 |
| Brush, Slocumb & Co. Inc. | 465 California Street, San Francisco 4, Calif. | 0.35 |
| Butcher & Sherrerd | 1500 Walnut Street, Philadelphia 2, Pa. | 0.25 |
| Clark, Dodge & Co. | 61 Wall St., New York 5, N. Y. | 1.00 |
| Richard W. Clarke Corporation | 535 Fifth Avenue, New York 17, N. Y. | 0.25 |
| Coffin & Burr, Incorporated | 60 State Street, Boston 9, Mass. | 0.80 |
| Julien Collins & Company | 105 South La Salle Street, Chicago 3, Ill. | 0.35 |
| Courts & Co. | 11 Marietta St., N. W., Atlanta, Georgia | 0.40 |
| Crowell, Weedon & Co. | 650 South Spring St., Los Angeles 14, Calif. | 0.25 |
| Cruttenden, Podesta & Co. | 209 South La Salle Street, Chicago 4, Ill. | 0.35 |
| Curtiss, House & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Davis, Skaggs & Co. | 111 Sutter St., San Francisco 4, Calif. | 0.35 |
| Dewar, Robertson & Pancoast | 111 Soledad Street, San Antonio, Texas | 0.25 |
| Dick & Merle-Smith | 48 Wall Street, New York 5, N. Y. | 0.80 |
| Dominick & Dominick | 14 Wall Street, New York 5, N. Y. | 1.00 |
| Drexel & Co. | 1500 Walnut Street, Philadelphia 1, Pa. | 1.00 |
| Francis I. duPont & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Eastman Dillon, Union Securities & Co. | 15 Broad Street, New York 5, N. Y. | 1.65 |
| Elworthy & Co. | 111 Sutter Street, San Francisco 4, Calif. | 0.35 |
| Emanuel, Deetjen & Co. | 120 Broadway, New York 5, N. Y. | 0.40 |
| Equitable Securities Corporation | Two Wall Street, New York 5, N. Y. | 0.80 |
| Estabrook & Co. | 15 State Street, Boston 9, Mass. | 0.80 |
| Fahey, Clark & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| Farwell, Chapman & Co. | 208 South La Salle Street, Chicago 4, Ill. | 0.35 |
| The First Boston Corporation | 15 Broad Street, New York 5, N. Y. | 2.80 |
| First of Michigan Corporation | Two Wall Street, New York 5, N. Y. | 0.35 |
| First Southwest Company | Mercantile Bank Building, Dallas 1, Texas | 0.40 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. | 725—15th Street, N. W., Washington 5, D. C. | 0.25% |
| Foster & Marshall | 820 Second Avenue, Seattle 4, Wash. | 0.40 |
| Fulton Reid & Co., Inc. | 1186 Union Commerce Building, Cleveland 14, Ohio | 0.35 |
| Glore, Forgan & Co. | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Goldman, Sachs & Co. | 20 Broad Street, New York, N. Y. | 1.65 |
| Goodbody & Co. | 115 Broadway, New York 6, N. Y. | 0.35 |
| Granbery, Marache & Co. | 67 Wall Street, New York 5, N. Y. | 0.35 |
| Hallgarten & Co. | 44 Wall Street, New York 5, N. Y. | 1.00 |
| Hallowell, Sulzberger, Jenks, Kirkland & Co. | Philadelphia National Bank Bldg., Broad & Chestnut Streets, Philadelphia 7, Pa. | 0.35 |
| Wm. P. Harper & Son & Company | 1504 Third Avenue, Seattle 1, Wash. | 0.35 |
| Hayden, Miller & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| Hayden, Stone & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Hemphill, Noyes & Co. | 15 Broad Street, New York 5, N. Y. | 1.00 |
| Henry Herrman & Co. | One Wall Street, New York 5, N. Y. | 0.25 |
| Hornblower & Weeks | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Howard, Weil, Labouisse, Friedrichs and Company | 222 Carondelet Street, New Orleans 12, La. | 0.25 |
| E. F. Hutton & Company | 61 Broadway, New York 6, N. Y. | 0.40 |
| W. E. Hutton & Co. | 14 Wall Street, New York 5, N. Y. | 1.00 |
| The Illinois Company Incorporated | 231 So. La Salle Street, Chicago 4, Ill. | 0.40 |
| Johnston, Lemon & Co. | Southern Building, Washington 5, D. C. | 0.25 |
| June S. Jones & Co. | 509 U. S. Bank Bldg., Portland 4, Oregon | 0.35 |
| Joseph, Mellen & Miller, Inc. | 1170 Union Commerce Building, Cleveland 14, Ohio | 0.25 |
| Kay, Richards & Co. | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Kidder, Peabody & Co. | 17 Wall Street, New York 5, N. Y. | 1.65 |
| Kirkpatrick-Pettis Company | 540 Omaha National Bank Building, Omaha 2, Nebraska | 0.25 |
| Kuhn, Loeb & Co. | 30 Wall Street, New York 5, N. Y. | 2.80 |
| Ladenburg, Thalmann & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| W. C. Langley & Co. | 115 Broadway, New York 6, N. Y. | 0.80 |
| Lazard Freres & Co. | 44 Wall Street, New York 5, N. Y. | 1.65 |
| Lee Higginson Corporation | 20 Broad Street, New York 5, N. Y. | 1.00 |
| Lehman Brothers | One William Street, New York 4, N. Y. | 1.65 |
| Lester, Ryons & Co. | 623 South Hope St., Los Angeles 17, Calif. | 0.25 |
| Carl M. Loeb, Rhoades & Co. | 42 Wall Street, New York 5, N. Y. | 1.00 |
| Irving Lundborg & Co. | 310 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Laurence M. Marks & Co. | 48 Wall St., New York 5, N. Y. | 0.80 |
| Mason-Hagan, Inc. | 1110 E. Main Street, Richmond 10, Va. | 0.25 |
| A. E. Masten & Co. | First National Bank Bldg., Pittsburgh 22, Pa. | 0.35 |
| McCormick & Co. | 231 South La Salle Street, Chicago 4, Ill. | 0.40 |
| McDonald & Company | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| McKelvy & Company | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Merrill Lynch, Pierce, Fenner & Smith | 70 Pine Street, New York 5, N. Y. | 1.65 |
| Merrill, Turben & Co., Inc. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| The Milwaukee Company | 207 East Michigan Street, Milwaukee 2, Wis. | 0.40 |
| Moore, Leonard & Lynch | 1003 Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| Morgan Stanley & Co. | 2 Wall Street, New York 5, N. Y. | 2.80 |
| F. S. Moseley & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |

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| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| W. H. Newbold's Son & Co. | 1517 Locust Street, Philadelphia 2, Pa. | 0.35% |
| Newhard, Cook & Co. | 400 Olive Street, St. Louis 2, Mo. | 0.40 |
| The Ohio Company | 51 North High Street, Columbus 15, Ohio | 0.40 |
| Pacific Northwest Company | 402 Exchange Building, Seattle 4, Wash. | 0.80 |
| Paine, Webber, Jackson & Curtis | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Piper, Jaffray & Hopwood | 115 South Seventh Street, Minneapolis 2, Minn. | 0.40 |
| R. W. Pressprich & Co. | 48 Wall Street, New York 5, N. Y. | 1.00 |
| Putnam & Co. | 6 Central Row, Hartford 4, Conn. | 0.80 |
| Reinholdt & Gardner | 400 Locust Street, St. Louis 2, Mo. | 0.40 |
| Reynolds & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |
| Riter & Co. | 40 Wall Street, New York 5, N. Y. | 0.40 |
| The Robinson-Humphrey Company, Inc. | 2000 Rhodes-Haverty Building, Atlanta 3, Ga. | 0.40 |
| Rotan, Mosle & Co | 1510 Bank of Southwest Building, Houston 2, Texas | 0.35 |
| Salomon Bros. & Hutzler | 60 Wall Street, New York 5, N. Y. | 1.00 |
| Schwabacher & Co. | 100 Montgomery St., San Francisco 4, Calif. | 0.40 |
| Shearson, Hammill & Co. | 14 Wall St., New York 5, N. Y. | 0.40 |
| Shields & Company | 44 Wall Street, New York 5, N. Y. | 0.80 |
| Shuman, Agnew & Co. | 155 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Singer, Deane & Scribner | Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| The Small-Milburn Company, Incorporated | 121 North Market Street, Wichita 2, Kansas | 0.25 |
| Smith, Barney & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| F. S. Smithers & Co. | 1 Wall Street, New York 5, N. Y. | 0.40 |
| William R. Staats & Co. | 640 South Spring Street, Los Angeles 14, Calif. | 0.40 |
| Stern, Frank, Meyer & Fox | Union Bank Building, Los Angeles 14, Calif. | 0.25 |
| Stix & Co. | 509 Olive Street, St. Louis 1, Mo. | 0.25 |
| Stone & Webster Securities Corporation | 90 Broad Street, New York 4, N. Y. | 1.65 |
| Stroud & Company Incorporated | 123 South Broad Street, Philadelphia 9, Pa. | 0.40 |
| Spencer Trask & Co. | 25 Broad Street, New York 4, N. Y. | 0.80 |
| Tucker, Anthony & R. L. Day | 120 Broadway, New York 5, N. Y. | 0.80 |
| Underwood, Neuhaus & Co., Incorporated | [illegible]4 Travis St., Houston 2, Texas | 0.25 |
| Vietor, Common, Dann & Co. | Ellicott Square Building, Buffalo 3, N. Y. | 0.25 |
| Wagenseller & Durst, Inc. | 626 South Spring Street, Los Angeles 14, Calif. | 0.25 |
| G. H. Walker & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Joseph Walker & Sons | 120 Broadway, New York 5, N. Y. | 0.25 |
| Walston & Co., Inc. | 74 Wall Street, New York 5, N. Y. | 0.40 |
| White, Weld & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| Dean Witter & Co. | 45 Montgomery Street, San Francisco 6, Calif. | 1.65 |
| Wood, Struthers & Co. | 30 Wall Street, New York 5, N. Y. | 1.00 |
| | Total | 100.00% |

Harriman Ripley & Co., Incorporated and Blyth & Co., Inc., as representatives of the several Underwriters, have agreed that in the event the principal amount of Unsubscribed Debentures shall be less than $3,059,800 they will use their best efforts to sell such Debentures for the accounts of the several Underwriters at a price above the Subscription Price, and that as to whatever such Debentures are sold by August 15, 1958, they will remit to the Company either (a) if there shall be not more than $918,000 principal amount of Unsubscribed Debentures, any excess over the Subscription Price realized on such sales, or (b) if the principal amount of Unsubscribed Debentures shall be more than $918,000 but less than $3,059,800, the greater of (i) 50% of any such excess or (ii) 9,180 (the number of $100 units in $918,000 principal amount of Debentures) multiplied by the average excess per $100 principal amount of Unsubscribed Debentures over the Subscription Price realized on the aggregate of such sales. The excess in any case is to be computed after deducting any selling concessions to dealers, brokerage commissions, transfer taxes and expenses incident to such sales. Any Unsubscribed Debentures not sold by August 15, 1958 shall be included in the computation as if sold at the last sales price of the Debentures on the New York Stock Exchange (or if not then listed on such Exchange at the closing bid price in the over-the-counter market) on such date, or if there has been no sale on such day on such Exchange, at the closing bid price on such Exchange on such day.

The Underwriting Agreement provides that the several obligations of the Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The Underwriting Agreement may be terminated by the Underwriters if at any time prior to the delivery of the Unsubscribed Debentures trading in securities on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established.

In connection with the sale of Convertible Subordinated Debentures by Underwriters, concessions may be allowed to certain dealers, including Underwriters, of not in excess of 1.50%, and reallowances may be allowed to other dealers of not in excess of 0.25%.

## LEGAL OPINIONS

Legal matters in connection with the issuance of the Senior Debentures, the Convertible Subordinated Debentures and the Capital Stock issuable upon conversion of the Convertible Subordinated Debentures will be passed upon by Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, for the Company, and by Davis Polk Wardwell Sunderland & Kiendl, 15 Broad Street, New York 5, New York, for the Underwriters.

## EXPERTS

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in this Prospectus and in the Summary Prospectus under the heading "Summary of Net Earnings and Retained Earnings" insofar as they relate to the years 1948 through 1957 have been reviewed by Touche, Niven, Bailey & Smart, independent certified public accountants, and have been included herein and in the Summary Prospectus and in the Registration Statement in reliance upon the opinions of said firm set forth in its reports contained in this Prospectus and in the Registration Statement and upon the authority of said firm as experts in auditing and accounting.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
July 14, 1958
as of
June 23, 1958

# BOEING AIRPLANE COMPANY

## BALANCE SHEET

## December 31, 1957

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | | $ 45,147,394 |
| Trade accounts receivable— | | |
| United States | $ 17,370,107 | |
| Other | 3,682,047 | 21,052,154 |
| Other accounts receivable | | 279,786 |
| Estimated balances receivable from the United States— | | |
| For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees | $113,056,099 | |
| For deliveries under contracts for which unit prices have not been established or revised | 51,258,608 | 164,314,707 |
| Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries (Note D) | $654,218,996 | |
| Less advances and progress payments received and accrued | 492,629,759 | 161,589,237 |
| Inventories of parts and materials at the lower of average cost or market | | 14,482,918 |
| Prepaid expenses | | 2,259,755 |
| **Total Current Assets** | | $409,125,951 |
| **Property, Plant, and Equipment, at cost (Note B):** | | |
| Land ($3,689,331) and buildings | $ 82,662,987 | |
| Machinery, tools, and equipment | 46,150,175 | |
| | $128,813,162 | |
| Less allowance for accumulated depreciation and amortization | 46,910,402 | 81,902,760 |
| | | $491,028,711 |

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Notes payable to banks | | $110,000,000 |
| Accounts payable— | | |
| Trade accounts | $109,750,621 | |
| Other | 541,780 | 110,292,401 |
| Salaries and wages | | 40,797,421 |
| Payroll, property, and excise taxes | | 5,562,012 |
| Incentive compensation for officers and employees | | 3,995,000 |
| Payable to Trustee under retirement plan (Note C) | | 3,702,162 |
| Allowance for 1954 renegotiation, net of taxes (Note A) | | 4,637,956 |
| Federal and state taxes on income | | 33,140,811 |
| **Total Current Liabilities** | | $312,127,763 |
| **Stockholders' Investment:** | | |
| Capital stock, par value $5 a share— | | |
| Authorized—10,000,000 shares | | |
| Issued and outstanding—6,953,563 shares at stated value (Note E) | $ 94,834,035 | |
| Retained earnings (after transfer to the capital stock account of $78,640,468) (Notes A and F) | 84,066,913 | 178,900,948 |
| **Contingent Liabilities (Notes A and C)** | | |
| | | $491,028,711 |

**See notes to financial statements.**

# BOEING AIRPLANE COMPANY

## STATEMENT OF NET EARNINGS

| | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Sales (Notes A and D) | $853,827,722 | $1,006,356,748 | $1,596,508,5 |
| Other income | 776,542 | 1,168,142 | 762,0 |
| | $854,604,264 | $1,007,524,890 | $1,597,270,5 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the year (Note D) | $764,603,371 | $ 905,184,904 | $1,466,056,7 |
| Research and developmental expenses | 8,411,913 | 12,458,306 | 19,646,1 |
| General and administrative expenses | 9,408,434 | 9,855,834 | 13,016,6 |
| Depreciation and amortization (Note B) | 4,925,358 | 6,237,686 | 12,422,2 |
| Incentive compensation for officers and employees | 3,250,000 | 3,866,000 | 3,995,0 |
| Other expenses | 1,292,754 | 2,215,562 | 2,468,7 |
| Interest expense | 71,023 | 571,609 | 2,005,3 |
| | $791,962,853 | $ 940,389,901 | $1,519,610,8 |
| **Earnings Before Taxes on Income (Note A)** | $ 62,641,411 | $ 67,134,989 | $ 77,659,7 |
| Federal and state taxes on income: | | | |
| Federal normal income tax and surtax | $ 31,950,000 | $ 34,750,000 | $ 39,090,0 |
| State income taxes | 300,000 | 250,000 | 410,0 |
| | $ 32,250,000 | $ 35,000,000 | $ 39,500,0 |
| **Net Earnings (Note A)** | $ 30,391,411 | $ 32,134,989 | $ 38,159,7 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Balance at January 1 (Note A) | $ 40,998,806 | $ 60,810,877 | $ 61,547,91 |
| Net earnings for the year (Note A) | 30,391,411 | 32,134,989 | 38,159,70 |
| | $ 71,390,217 | $ 92,945,866 | $ 99,707,61 |
| Cash dividends paid | $ 10,579,340 | $ 8,162,577 | $ 6,681,28 |
| Amount transferred to the capital stock account by the Board of Directors: | | | |
| Two-for-one stock split | — | 16,339,924 | — |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | — | 6,895,454 | 8,959,42 |
| | $ 10,579,340 | $ 31,397,955 | $ 15,640,70 |
| Balance at December 31 (Notes A and F) | $ 60,810,877 | $ 61,547,911 | $ 84,066,91 |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**Note A—Renegotiation:**

See Note 1 to "Summary of Net Earnings and Retained Earnings".

**Note B—Property, Plant, and Equipment:**

Included in property, plant, and equipment at December 31, 1957 are fully amortized fa depreciated assets in the amount of $17,484,695, which facilities were largely in use.

Depreciation is computed on cost. The "straight-line" method is used for all assets a January 1, 1954. Substantially all assets acquired subsequent to that date are depreciated under years-digits" method. The rates employed are such as will accumulate depreciation equal estimated useful lives of the assets. The asset lives used for depreciation computations are as foll

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and building equipment | 10 to 40 years |
| Factory machinery | 9 to 15 years |
| Shop equipment and tools | 3⅓ to 8 years |
| Other equipment | 1½ to 12½ years |

Amortization of leasehold improvements is based on the shorter of the physical life of the the period of the lease.

The Company has obtained Certificates of Necessity from the United States Government facilities acquired during the present emergency period. The certified portion of such facilities is over sixty-month periods for both accounting and tax purposes.

Maintenance and repairs are charged directly to costs or expenses as incurred. Equipment value and renewals and betterments that do not appreciably extend the life of the asset are ch costs or expenses.

Fully depreciated or fully amortized assets which are no longer on hand or are not identifi off by charges to the allowance for accumulated depreciation and amortization. Amounts receive of fully depreciated or fully amortized assets are taken into income and the costs of such as allowances for accumulated depreciation and amortization are removed from the accounts. Wh are not fully depreciated are retired or disposed of, the costs of such assets are removed from t the related allowances for accumulated depreciation are adjusted for the difference between the a the amount received or salvage value, no profit or loss being recorded. When facilities acqu present emergency period with respect to which Certificates of Necessity have been obtained disposed of, the costs of such facilities and the related accumulated depreciation and amortizati from the accounts and the resulting profit or loss is included in the statement of net earnings.

**Note C—Retirement Plan:**

Effective as of January 1, 1955 the Company adopted a non-contributory retirement pl employees who have met the eligibility requirements. The plan is administered by a Retiren appointed by the Board of Directors. Contributions are made by the Company to trustees who sh and distribute the assets of the trust as required by the plan.

The plan provides for normal retirement at age 65 with provision for retirement either earli normal. Benefits at normal retirement are based on credited service rendered after the attainmen completion of three years of service. Basic benefits are based on credited service. Supplemental be to the monthly earnings of the employee. A portion of the supplemental benefits of the plan will related to the earnings of the applicable fund and the mortality experience of the group eligible to mental benefits. The maximum annual pension under the plan is $30,000.

The following charges were made in the accounts to record Company contributions for the th December 31, 1957:

| | Current Service | Past Service | Total |
|---|---|---|---|
| Year ended December 31, 1955 | $ 6,703,518 | $1,635,487 | $ 8,339,0 |
| Year ended December 31, 1956 | 8,377,844 | 1,635,487 | 10,013, |
| Year ended December 31, 1957 | 10,066,505 | 1,635,487 | 11,701,9 |

The Company intends to make contributions to the trust for past service costs and interest o balances over a period of approximately twelve years commencing with the year 1955. At Dece the past service liability not recognized in the accounts was estimated at $12,800,000.

**Note D—Inventories:**

Accumulated charges at December 31, 1957 included amounts relating to items to which th Government held title by reason of contract provisions.

Inventories and accumulated charges on fixed-price type contracts used in the computation of cost of sales shown on the statement of net earnings are as follows:

| | |
|---|---|
| January 1, 1955 | $350,897,520 |
| December 31, 1955 | 531,275,580 |
| December 31, 1956 | 663,278,820 |
| December 31, 1957 | 668,701,914 |

Sales are recorded under all fixed-price type contracts at the time completed units are delivered. In determining the amounts at which sales under contracts containing price revision provisions are recorded, consideration is given to the estimated adjustments, if any, that may result at the time final contract prices are negotiated. Under cost-plus-a-fixed-fee and incentive-fee contracts, sales include costs considered reimbursable together with applicable fees.

Cost of sales under all fixed-price type contracts is computed on the basis of the estimated cost (average total contract basis) of deliveries, such estimates being revised periodically so that they approach actual average costs as the contracts progress to completion. Under cost-plus-a-fixed-fee and incentive-fee contracts, cost of sales includes applicable expenditures made or accrued.

**Note E—Capital Stock Account and Stock Option Plan:**

Changes in the capital stock account during the three years ended December 31, 1957 were as follows:

| | Shares | Amount |
|---|---|---|
| Balance at January 1, 1955 | 3,246,436¾ | $60,000,000 |
| Shares issued to officers and employees at market value under the Incentive Compensation Plan— | | |
| 1955 | 11,689 | 968,732 |
| 1956 | 9,859 | 739,425 |
| 1957 | 19,448 | 931,076 |
| Shares issued in 1956 to effect a two-for-one stock split and amount transferred to the capital stock account by the Board of Directors | 3,267,984¾ | 16,339,924 |
| Shares issued as stock dividends and amounts transferred to the capital stock account by the Board of Directors, equal to the market value on declaration dates adjusted for the stock dividend— | | |
| 1956 | 130,720 | 6,895,454 |
| 1957 | 267,445½ | 8,959,424 |
| Balance at December 31, 1957 | 6,953,583 | $94,834,035 |

Stockholders adopted a Stock Option Plan May 6, 1958. For information regarding this Plan reference is made to the heading "Remuneration of Directors and Officers" in this Prospectus.

**Note F—Dividend Restrictions:**

For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

**Note G—Supplementary Profit and Loss Information:**

The amounts of certain expenses incurred during the three years ended December 31, 1957 are tabulated below. All items included in this tabulation were either included in overhead expenses, substantially all of which were distributed to contracts, or were charged to contracts directly except that a portion of amortization in excess of normal depreciation was charged directly to income as follows: 1955, $1,037,691; 1956, $1,176,667; 1957, $1,686,352.

| Item | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Maintenance and repairs | $19,460,361 | $20,917,108 | $20,551,774 |
| Depreciation and amortization of property, plant, and equipment | 4,925,358 | 6,237,686 | 12,422,205 |
| Taxes, other than income taxes: | | | |
| Payroll taxes | 9,739,011 | 11,445,524 | 16,369,938 |
| Sales and business taxes | 2,218,726 | 3,407,296 | 5,138,519 |
| Real estate and personal property taxes | 1,155,638 | 1,150,242 | 1,863,657 |
| State franchise and miscellaneous taxes | 16,759 | 28,760 | 25,971 |
| Rents: | | | |
| Equipment (principally data-processing machines) | 1,405,066 | 1,999,288 | 5,514,119 |
| Ground, buildings, and miscellaneous | 1,254,999 | 1,534,992 | 2,238,928 |
| Royalties | 77,857 | 45,798 | 136,771 |

There are no material amounts to which the Company is committed under leases having terms in excess of three years.

# PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 23.** ***Other Expenses of Issuance and Distribution.***

| | | |
|---|---|---|
| Securities and Exchange Commission registration fee | $ 3,365.74 | 3,365.74 |
| New York Stock Exchange listing fees and expenses | 5,400.00 | 5,271.00 |
| Blue Sky expenses | 6,500.00 | -{4,402.20<br>[illegible] |
| Federal original issue taxes | 33,657.36 | 33,657.36 |
| Printing and engraving | 64,900.00 | 63,273.72 |
| Fees and expenses of Subscription Agent | 91,000.00 | 75,145.85 |
| Trustee's initial fees and expenses | 12,750.00 | 12,905.36 |
| Attorneys' fees | 10,000.00 | |
| Accounting fees | 4,000.00 | 5,736.78 |
| Miscellaneous | 4,300.90 | 4,300.90 |
| Total | $235,874.00 | [illegible] |

All of the above except the Securities and Exchange Commission registration fee and Federal original issue taxes are estimated.

**Item 31(b).** ***Exhibits:***

| | |
|---|---|
| 6 | Opinion of Holman, Mickelwait, Marion, Black & Perkins, counsel of the Company. |
| 14 | Summary Prospectus. |

Copies of Exhibit 1—Underwriting Agreements, 4(a)—Specimen Convertible Subordinated Debenture, and 4(b)—Trust Indenture for Convertible Subordinated Debentures, and 4(c) Trust Indenture for Senior Debentures—are not filed herewith as such exhibits have been changed only in the respects specified in Rule 472(c)(i).

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 15th day of July, 1958.

BOEING AIRPLANE COMPANY

J. O. Yeasting
J. O. Yeasting, Vice President—Finance

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| William M. Allen* | President and Director | July 15, 1958 |
| J. O. Yeasting<br>(J. O. Yeasting) | Vice President—Finance and Director | |
| Clyde Skeen* | Controller | |
| Wellwood E. Beall* | Director | |
| Darrah Corbet* | Director | |
| C. L. Egtvedt* | Director | |
| D. A. Forward* | Director | |
| Artemus L. Gates* | Director | |
| Fred P. Laudan* | Director | |
| Paul Pigott* | Director | |
| W. G. Reed* | Director | |
| J. E. Schaefer* | Director | |
| Dietrich Schmitz* | Director | |
| Edward C. Wells* | Director | |

*By J. O. Yeasting
J. O. Yeasting, Attorney-in-fact

# ACCOUNTANTS' CONSENT AND REPORT AS TO SCHEDULES

We hereby consent to the use, in this Registration Statement and Prospectus of Boeing Airplane Company, of our report dated July 14, 1958 as of June 23, 1958, accompanying the financial statements contained in such Registration Statement, to the use of our report contained in the following paragraph, and to the use of our name, and the statements with respect to us, as appearing under the headings "Summary of Net Earnings and Retained Earnings" and "Experts" in the Prospectus and the Summary Prospectus.

In the course of our examination of the financial statements referred to in our report we also examined the indicated schedules listed under Item 31(a) of the Registration Statement. In our opinion, such schedules present fairly the information therein set forth.

TOUCHE, NIVEN, BAILEY & SMART

Seattle, Washington

July 14, 1958

**FORM 2 — USE TO SELL ALL RIGHTS THROUGH AGENT**

I request the Agent to sell for my account all the Rights represented by this Warrant and remit net proceeds.

SIGN
FORM 2
HERE → ..................................................
(Signature of Owner)

**FORM 3 — USE TO SELL RIGHTS THROUGH YOUR OWN BANK OR BROKER OR TO TRANSFER**

For value received, this Warrant and the Rights represented by it are hereby assigned to

..................................................
(for sale, leave blank; for transfer, type or print name of transferee)

Whose address is ..................................................
(Number and Street)

..................................................
(City, Zone Number and State)

SIGN
FORM 3
HERE → ..................................................
(Signature of Registered Owner exactly as shown on Warrant)

SIGNATURE GUARANTEED
(See Note as to Signatures on Reverse)

..................................................

(PLEASE DO NOT WRITE IN THIS SPACE)

.................... @ $100
.................... @ $500
.................... @ $1000
.................... @ ..........

**FOR AGENT'S USE ONLY**

| Rights Bought | Rights Sold |
|---|---|
| | |

---

**No. W 00000**

**WARRANT FOR RIGHTS**

**TWENTY THREE (23) RIGHTS AND $100 ARE NEEDED TO SUBSCRIBE FOR EACH $100 PRINCIPAL AMOUNT OF DEBENTURES — SEE FORM 1 BELOW.**

SUBSCRIPTION WARRANT FOR CONVERTIBLE SUBORDINATED DEBENTURES, DUE 1980 (Convertible into Capital Stock as described in the Prospectus) OF

# Boeing Airplane Company

THIS IS TO CERTIFY THAT

or assigns is entitled to the number of Rights to Subscribe set forth above with respect to Convertible Subordinated Debentures, due 1980 of Boeing Airplane Company which are being offered to holders of Capital Stock upon the terms and conditions specified in the Prospectus relating to the Debentures.

BOEING AIRPLANE COMPANY
By SPECIMEN
President

**SUBSCRIPTION PRICE: $100 FOR EACH $100 PRINCIPAL AMOUNT OF DEBENTURES**

**EXPIRATION DATE: JULY 29, 1958**

**FORM 1 — SUBSCRIPTION FOR DEBENTURES**

The undersigned hereby irrevocably subscribes for the following principal amount of Convertible Subordinated Debentures of the Company in accordance with the Prospectus (which has been received) and authorizes the Agent to buy any additional Rights (less than 23) required for this subscription or to sell any Rights not required for this subscription (sending a bill for Rights bought or a check for Rights sold):

1. TOTAL DEBENTURES SUBSCRIBED FOR: $.................... ← See Directions 1 and 2 on Reverse.

2. TOTAL COST OF DEBENTURES SUBSCRIBED FOR: $.................... ← Payment in full must accompany subscription. Checks must be payable in United States Dollars to order of the Agent or to Boeing Airplane Company.
($100 times each $100 principal amount subscribed)

Name and Address for delivery ONLY if other than to registered holder named above →
..................................................
..................................................
..................................................
(Please print)

SIGN
FORM 1
HERE → ..................................................
Signature

DELIVER → ☐ By mail ☐ Against Receipt
(SEE REVERSE SIDE)

V0960
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This Warrant May Be Transferred or Divided at the Transfer Department of City Bank Farmers Trust Company, 20 Exchange Place, New York 15, N. Y.

1. TO SUBSCRIBE:

Fill in and sign FORM 1 and mail or deliver this Warrant to the Agent named below, together with payment of the full subscription price in United States Dollars to the order of the Agent or Boeing Airplane Company. Subscriptions must reach the Agent on or before the Expiration Date. If mail is used, registered mail is suggested.

**City Bank Farmers Trust Company**
**Corporate Trust Division**
**2 Wall Street**
**New York 15, New York**

Issuance and delivery of the Debentures subscribed for will be made as soon as practicable after the Expiration Date.

2. PURCHASE AND SALE OF RIGHTS IN CONNECTION WITH SUBSCRIPTIONS:

Since 23 Rights are needed to subscribe for each $100 principal amount of Debentures, and since Debentures are being sold only in units of $100 and multiples thereof, 23 Rights or multiples thereof will be required for your subscription on FORM 1. If you do not have exactly the number of Rights required for your subscription, additional Rights (less than 23) will be purchased for you by the Agent or Rights in excess of the number required for your subscription will be sold for you by the Agent. By filling in and signing FORM 1 you authorize this to be done through the Agent. Purchases and sales of Rights are subject to the ability of the Agent to find a seller or purchaser of Rights and to the receipt of the Warrant by the Agent not later than the Expiration Date. The Agent will handle the purchase of Rights only in connection with subscriptions. Rights may also be bought or sold through banks or brokers.

3. TO SELL ALL RIGHTS:

Through the Agent named above:

Sign FORM 2 and send this Warrant to the Agent in the enclosed envelope. Be sure that it reaches the Agent in ample time so that the Rights can be sold by the Agent on or before the Expiration Date.

Through your bank or broker:

Sign FORM 3 on the face of this Warrant. Deliver it to your bank or broker in ample time to be used before the Expiration Date.

4. TO TRANSFER WARRANTS:

Fill in and sign FORM 3. This Warrant is transferable upon execution of FORM 3 in the same manner and with the same effect as in the case of a negotiable instrument payable to a specified person. If this Warrant is assigned in blank, title shall pass by delivery. This Warrant, if properly assigned, may be used by a new holder for subscription without having a new Warrant issued, in which case the name and address of the new holder executing the subscription must be filled in on FORM 3. Where 2 or more Warrants are used in effecting a subscription the subscription form (FORM 1) on only 1 Warrant need be executed.

5. TRANSFER TAX:

No transfer taxes are payable on the transfer of the Rights represented by this Warrant.

THIS WARRANT WILL BE VOID IF IT IS NOT USED ON OR BEFORE THE EXPIRATION DATE SHOWN ON THE FACE HEREOF.

* * *

THIS WARRANT REPRESENTS RIGHTS WHICH CAN BE:

A. USED TO SUBSCRIBE FOR THE DEBENTURES (see Directions 1 and 2)

B. SOLD (see Directions 2, 3 and Note below)

C. TRANSFERRED TO ANOTHER (see Direction 4 and Note below)

D. DIVIDED (To divide Warrants deliver them with instructions to the Agent at 20 Exchange Place, New York 15, N. Y.)

* * *

Note as to Signatures for the Transfer of Rights (FORM 3):

The signature of registered owner to the assignment of Rights (FORM 3) must correspond with the name as written upon the face of this Warrant in every particular without alteration or enlargement or any change whatever. When executed by Administrators, Executors, Trustees, Guardians, Attorneys, etc., the Agent must be satisfied that the person signing has authority to act.

The signature of registered owner to the assignment must be guaranteed by a bank or broker or otherwise to the satisfaction of the Agent.

represented by this Warrant and remit net proceeds.

SIGN
FORM 2
HERE →
(Signature of Owner)

**FORM 3 — USE TO SELL RIGHTS THROUGH YOUR OWN BANK OR BROKER OR TO TRANSFER**

For value received, this Warrant and the Rights represented by it are hereby assigned to

(For sale, leave blank; for transfer, type or print name of transferee)

Whose address is
(Number and Street)

(City, Zone Number and State)

SIGN
FORM 2
HERE →
(Signature of Registered Owner exactly as shown on Warrant)

MAIL TO

STOCK ENCLOSED

INITIAL

SIGNATURE GUARANTEED
(See Note as to Signatures on Reverse)

(PLEASE DO NOT WRITE IN THIS SPACE)

2 @ $100
@ $500
@ $1000
@

**FOR AGENT'S USE ONLY**

| Rights Bought | Rights Sold |
|---|---|
| | |

---

**SUBSCRIPTION WARRANT FOR CONVERTIBLE SUBORDINATED DEBENTURES, DUE 1980 (Convertible into Capital Stock as described in the Prospectus) OF**

# Boeing Airplane Company

**TWENTY THREE (23) RIGHTS AND $100 ARE NEEDED TO SUBSCRIBE FOR EACH $100 PRINCIPAL AMOUNT OF DEBENTURES — SEE FORM 1 BELOW.**

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THIS IS TO CERTIFY THAT

ISRAEL DITCH
2550 N. MC GREGOR DR.
7094 D HOUSTON TEX.

or assigns is entitled to the number of Rights to Subscribe set forth above with respect to Convertible Subordinated Debentures, due 1980 of Boeing Airplane Company which are being offered to holders of Capital Stock upon the terms and conditions specified in the Prospectus relating to the Debentures.

BOEING AIRPLANE COMPANY
By
William M. Allen
President

SUBSCRIPTION PRICE: $100 FOR EACH $100 PRINCIPAL AMOUNT OF DEBENTURES

SELL 7

**EXPIRATION DATE: JULY 29, 1958**

**FORM 1 — SUBSCRIPTION FOR DEBENTURES**

The undersigned hereby irrevocably subscribes for the following principal amount of Convertible Subordinated Debentures of the Company in accordance with the Prospectus (which has been received) and authorizes the Agent to buy any additional Rights (less than 23) required for this subscription or to sell any Rights not required for this subscription (sending a bill for Rights bought or a check for Rights sold):

1. TOTAL DEBENTURES SUBSCRIBED FOR: $ ← See Directions 1 and 2 on Reverse.
2. TOTAL COST OF DEBENTURES SUBSCRIBED FOR: $ ← Payment in full must accompany subscription. Checks must be payable in United States Dollars to order of the Agent or to Boeing Airplane Company.
(\$100 times each \$100 principal amount subscribed)

Name and Address for delivery ONLY if other than to registered holder named above →
[illegible]
[illegible]
[illegible]
(Please print)

SIGN
FORM 1
HERE →
Signature

DELIVER → ☑ By mail ☐ Against Receipt
(SEE REVERSE SIDE)

S 561

This Warrant May Be Transferred or Divided at the Transfer Department of City Bank Farmers Trust Company, 20 Exchange Place, New York 15, N. Y.

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**DO NOT LOSE OR DESTROY THE ENCLOSED WARRANT. IT WILL EXPIRE AND BECOME VOID AT 3:30 P.M., EASTERN DAYLIGHT SAVING TIME, ON JULY 29, 1958. YOU SHOULD GIVE THIS MATTER YOUR PROMPT ATTENTION.**

# BOEING AIRPLANE COMPANY
## SEATTLE 24, WASHINGTON

July 15, 1958

*To the Holders of Capital Stock of*
BOEING AIRPLANE COMPANY:

There is enclosed a Warrant evidencing your Rights to subscribe to the Company's Convertible Subordinated Debentures, due July 1, 1980, at the rate of $100 principal amount of Debentures for each 23 shares of Capital Stock held by you of record at the close of business on July 15, 1958. The Registration Statement with respect to this offering of Convertible Subordinated Debentures, referred to in the letter to stockholders of June 25, 1958, has become effective. The offering is being made by and upon the information contained in the enclosed Prospectus, which should be read prior to any subscription.

The Subscription Price is $100 for each $100 principal amount of Convertible Subordinated Debentures, and, for each $100 principal amount of Convertible Subordinated Debentures to be subscribed for, stockholders will need to have 23 Rights. If you wish to subscribe, the subscription (Form 1) should be properly executed on the enclosed Warrant in accordance with the instructions on the back thereof, and the Warrant delivered before 3:30 p.m., Eastern Daylight Saving Time, on July 29, 1958, to the Subscription Agent (City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, N. Y.), accompanied by payment of the full amount of the Subscription Price for each $100 principal amount of Convertible Subordinated Debentures subscribed for. Warrants may be transferred, combined or divided upon delivery to the Subscription Agent in accordance with the instructions on the reverse thereof.

The Company has made arrangements with the Subscription Agent so that you may, by signing Form 2 on the face of the Warrant, authorize the Agent to sell all Rights represented by your Warrant. In addition, if you have a number of Rights not evenly divisible by 23, you may (by signing Form 1 on the face of the Warrant) authorize the Subscription Agent to purchase additional Rights (less than 23 in any one subscription) required to round out your subscription, or to sell any Rights not required for your subscription. This service will be performed by the Subscription Agent as agent for the Warrant holders, without service charge to you; however, for the purchase of Rights, you will receive a bill for the cost of Rights purchased, to be paid before the Convertible Subordinated Debentures subscribed for are delivered; and for the sale of Rights, you will receive a check for the proceeds of Rights sold. The Subscription Agent may offset orders for the buying and selling of Rights at prices determined on the basis of actual purchases and sales. The execution of any purchase or sale is subject to the Subscription Agent's ability to find a purchaser or seller, as the case may be.

Stockholders who do not desire to subscribe for Convertible Subordinated Debentures should arrange to sell their Rights through the Subscription Agent or their own bank or broker. The Rights have been admitted to trading on the New York Stock Exchange to facilitate their sale, and may also be traded on certain other exchanges.

If you have any questions with respect to the Rights under this offer, the purchase and sale thereof, or the method of subscription, it is suggested that you consult your bank or broker.

In our letter to stockholders dated June 25, 1958 it was stated that the Company was also filing on that date a Registration Statement covering a proposed issue of $60,000,000 aggregate principal amount of Sinking Fund Debentures to be offered to the public under a separate prospectus. As is indicated in the accompanying Prospectus, the Company has decided to reduce the aggregate amount of that issue to $40,000,000.

WILLIAM M. ALLEN,
*President*

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## BOEING AIRPLANE COMPANY

### Supplement to Prospectus Dated July 15, 1958

$29,578,500 principal amount of Convertible Subordinated Debentures was subscribed for through the exercise of Rights. The several Underwriters will purchase the remaining $1,019,100 principal amount of Convertible Subordinated Debentures (the Unsubscribed Debentures) as set forth in the Prospectus. During the Subscription Period, the several Underwriters did not purchase or exercise any Rights and did not purchase or sell any Convertible Subordinated Debentures.

The $1,019,100 principal amount of Unsubscribed Debentures has been sold by the Underwriters at a price of 109½% plus accrued interest. The excess of the Selling Price over the Subscription Price of the Unsubscribed Debentures aggregated $94,376.70 (after deducting selling concessions and transfer taxes) of which $85,014.14 will be paid to the Company. As a result of the foregoing, the net proceeds to the Company from the sale of the Convertible Subordinated Debentures will be $30,289,953.14 (exclusive of accrued interest on the Unsubscribed Debentures) after deducting underwriting commissions of $392,661 but before deducting other expenses.

July 30, 1958

Ha

ROSPECTUS

## $30,597,600

# Boeing Airplane Company

## 4½% Convertible Subordinated Debentures, due July 1, 1980

**(to bear interest from July 29, 1958)**

**Convertible until maturity, unless previously redeemed, into Capital Stock at the conversion rate of 2 shares of Capital Stock for each $100 principal amount of Debentures (equivalent to a conversion price of $50 per share), subject to adjustment in certain events.**

---

As more fully set forth herein, the Company is offering to the holders of its outstanding Capital ock of record at the close of business on July 15, 1958 the right to subscribe for these Debentures t the ratio of $100 principal amount of Debentures for each 23 shares of Capital Stock held on such cord date. The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on uly 29, 1958.

---

The Company has applied for the listing of the Convertible Subordinated Debentures on the New York Stock Exchange.

---

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

---

| | Subscription Price | Underwriting Commissions (1) | | Proceeds to Company (2) | |
|---|---|---|---|---|---|
| | | Minimum | Maximum | Maximum | Minimum |
| r Unit ($100 principal amount) | $100 | $1.25 | $2.25 | $98.75 | $97.75 |
| tal | $30,597,600 | $382,470 | $688,446 | $30,215,130 | $29,909,154 |

) The Company has agreed to pay the Underwriters $1.25 in respect of each $100 principal amount of Debentures offered for subscription, plus $1.00 in respect of each $100 principal amount of Unsubscribed Debentures and each $100 principal amount of Debentures acquired by the Underwriters through the exercise of rights purchased by them. The minimum and maximum underwriting commissions are based on the assumption that (a) all the Debentures and (b) none of the Debentures, respectively, will be subscribed for by others than the Underwriters. See "Underwriting" herein concerning the contingent payment to the Company of additional funds. The Company has agreed to indemnify the Underwriters against certain liabilities.

) Plus accrued interest from July 29, 1958 on Unsubscribed Debentures and before deduction of expenses of the Company estimated at $235,874.

During and after the expiration of the Subscription Offer, the several Underwriters may offer nvertible Subordinated Debentures (including Debentures acquired or to be acquired through the chase and exercise of Rights or otherwise) to the public at prices which it is intended shall not be reased more frequently than once each day and shall not be less than the Subscription Price set forth ove (less, in the case of sales to dealers, the concession allowed to dealers) nor more than the highest own price at which the Convertible Subordinated Debentures are then being offered by a dealer not ticipating in the distribution to other dealers plus the amount of any concession allowed to dealers. a result, the Underwriters may realize profits or losses independent of the underwriting compensation ted above.

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**Harriman Ripley & Co.**
Incorporated

**Blyth & Co., Inc.**

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The date of this Prospectus is July 15, 1958.

No dealer, salesman or any other person has been authorized to give any information make any representations, other than those contained in this Prospectus, in connection wi offer contained herein and, if given or made, such information or representations must not be upon as having been authorized. This Prospectus does not constitute an offer to sell, or a soli of an offer to buy, the securities offered hereby in any state to any person to whom it is to make such an offer or solicitation.

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-A OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET OF THE CONVERTIBLE SUBORDINATED DEBENTURES, CAPITAL STOCK AND AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-CO MARKET OR ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZING, MENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SUBSCRIPTION OFFER

Boeing Airplane Company (herein called "the Company") hereby offers to the holders of its Capital Stock of record at 3:30 p. m. Eastern Daylight Saving Time on July 15, 1958 the right to subscribe for its 4½% Convertible Subordinated Debentures, due July 1, 1980 (herein called "Convertible Subordinated Debentures"), at a Subscription Price of 100% of the principal amount subscribed and at the rate of $100 principal amount of Convertible Subordinated Debentures for each 23 shares of Capital Stock held on the record date.

**Warrants:** Rights to subscribe are evidenced by fully transferable Warrants. One Right will be issued for each full share of Capital Stock held on the record date, and 23 Rights will be required to subscribe for each $100 principal amount of Convertible Subordinated Debentures. Subscriptions will be accepted only for $100 principal amount of Convertible Subordinated Debentures or multiples thereof. Instructions for the use and disposition of the Warrants are set forth on the reverse side thereof.

**Expiration Date:** The Subscription Offer will expire at 3:30 p. m. Eastern Daylight Saving Time on July 29, 1958, and Warrants will become void if not exercised by that time.

**Method of Subscription:** Subscriptions are to be made by filling out and signing the subscription agreement (Form 1) on the face of the Warrant and delivering the Warrant, accompanied by full payment of the Subscription Price, to the Subscription Agent, City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, New York, by 3:30 p. m. Eastern Daylight Saving Time on the Expiration Date. Payment of the Subscription Price must be made in United States dollars and may be in cash or by check or bank draft drawn on a bank in the continental United States or by postal or express money order, payable to the order of City Bank Farmers Trust Company, Agent, or Boeing Airplane Company. If, on or prior to the Expiration Date, the Agent shall actually receive, by telegram or otherwise, payment of the full Subscription Price for Convertible Subordinated Debentures subscribed for, together with a telegram or letter from a bank or broker guaranteeing delivery of the Warrant or Warrants, designated by serial number, such subscription will be accepted subject to receipt by the Agent of the duly executed Warrant or Warrants.

**Purchase and Sale of Rights:** It is expected that the Rights will be traded on the New York Stock Exchange. Rights may be purchased or sold through the usual investment channels. Arrangements have been made with the Subscription Agent whereby a Warrant holder may sell Rights evidenced by a Warrant or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23) to permit rounding out such holder's Rights to a multiple of 23. This service will be rendered by the Subscription Agent, as agent for the Warrant holders, without charge to the Warrant holders (other than the cost of Rights purchased), as the Company will assume all brokerage commissions, transfer taxes and fees and expenses of the Agent. The Subscription Agent may offset buying and selling orders, and the Subscription Agent's execution of other orders is subject to the Subscription Agent's ability to find a buyer or seller.

**Delivery of Convertible Subordinated Debentures:** Convertible Subordinated Debentures in definitive or temporary form will be delivered on or as soon as practicable after the Expiration Date, provided checks given in payment of the Subscription Price and the cost of any Rights purchased have first been cleared.

**Foreign Stockholders:** Warrants will not be mailed to stockholders with A. P. O. or F. P. O. addresses or with addresses outside the continental United States or Canada, but will be held for their accounts by the Agent until 12 noon Eastern Daylight Saving Time on the last business day preceding the Expiration Date, at which time, in the absence of contrary instructions, they will be sold if feasible and the net proceeds distributed to such stockholders.

## SALE OF SENIOR DEBENTURES

The Company has filed a Registration Statement covering $40,000,000 principal amount of 5% Sinking Fund Debentures, due August 1, 1978 (herein called "Senior Debentures" or "Sinking Fund Debentures") which it is proposed will be offered for sale to the public through underwriters by means of a separate prospectus on or about the date the Convertible Subordinated Debentures, to which this Prospectus relates, are first offered to the holders of the Company's Capital Stock. Delivery of and payment for the Senior Debentures will be contingent upon the receipt by the Company of the proceeds from the sale of all the Convertible Subordinated Debentures.

## APPLICATION OF PROCEEDS

The recent growth of the Company's business, as evidenced by the "Summary of Net Earnings and Retained Earnings" herein, coupled with the Government's recent reductions of progress payment and cost reimbursement percentages (hereinafter described), is requiring increased amounts of working capital. Also, during the years 1956 and 1957 the Company expended over $75,000,000 for new capital facilities. As a consequence, at June 16, 1958, the Company had outstanding short-term bank loans of $115,000,000 under open lines of credit aggregating $150,000,000. It is expected that a substantial portion of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures will be used to reduce the aforementioned bank loans.

It is presently anticipated that during the years 1958 and 1959 the Company's expenditures for additions and improvements to its properties and facilities will be roughly equivalent to the estimated aggregate charges of about $40,000,000 for depreciation and amortization for those two years. However, the Company believes that it will require additional funds principally for work in process inventories and receivables. Any balance of the proceeds from the sale of the Senior Debentures and the Convertible Subordinated Debentures not applied to the reduction of bank loans will be available, together with retained earnings, for such inventories and receivables. The Company expects to obtain any additional funds which may be required through bank borrowings. However, it may obtain all or a part thereof from other borrowings or from the sale of securities.

## CAPITALIZATION

The capitalization of the Company as of March 31, 1958, and as adjusted to give effect as of that date to the sale of the Senior Debentures and the Convertible Subordinated Debentures, is as follows:

| | Outstanding as of March 31, 1958 | As Adjusted |
|---|---|---|
| **Funded Debt:** | | |
| 5% Sinking Fund Debentures, due 1978, authorized $40,000,000 | None | $40,000,000 |
| 4½% Convertible Subordinated Debentures, due 1980, authorized $30,597,600 | None | 30,597,600 |
| Total Funded Debt | None | $70,597,600 |
| **Stockholders' Investment:** | | |
| Capital Stock, par value $5 a share—authorized 10,000,000 shares(1); issued and outstanding 7,037,447 shares at stated value(2) | $ 97,884,588 | $ 97,884,588 |
| Retained earnings(3) (4) | 91,827,706 | 91,827,706 |
| Total Stockholders' Investment | $189,712,294 | $189,712,294 |

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(1) Of the authorized unissued shares, 274,513 shares are available for issuance under the Company's Stock Option and Incentive Compensation Plans (hereinafter described) free from preemptive rights of stockholders, and 611,952 additional shares are reserved for issuance upon conversion of the Convertible Subordinated Debentures.

(2) In March 1958, the Company issued 83,864 shares of Capital Stock pursuant to the Incentive Compensation Plan and $3,050,553 was credited to the Capital Stock account by reason thereof.

(3) See Note 1 to "Summary of Net Earnings and Retained Earnings", herein.

(4) For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

The Company has an open line of credit aggregating $150,000,000 with a group of seventee banks. The credit is on an annual review basis and there is no commitment fee. Borrowings are evidenced by unsecured 90-day notes bearing interest at the prime rate in effect at the time of such borrowings. At June 16, 1958, $115,000,000 of borrowings were outstanding against this line of credit.

## PRICE RANGE OF CAPITAL STOCK

The following tabulation sets forth the reported high and low sales prices of the Company's Capital Stock on the New York Stock Exchange from January 1, 1948 through July 14, 1958, adjusted (to the nearest one-eighth) to reflect the three-for-two stock split in May 1952, the two-for-one stock split in May 1954, and the two-for-one stock split in August 1956. The prices are not adjusted for dividends paid in Capital Stock as follows: 1956—2%, and 1957—4%.

| Calendar Year | High | Low | Calendar Year | High | Low |
|---|---|---|---|---|---|
| 1948 | 4⅞ | 3¼ | 1954 | 37½ | 11⅝ |
| 1949 | 4¼ | 3 | 1955 | 44¼ | 27⅜ |
| 1950 | 7 | 3⅞ | 1956 | 65⅛ | 34⅜ |
| 1951 | 9⅝ | 6½ | 1957 | 61⅛ | 29 |
| 1952 | 10⅜ | 7½ | 1958 (through July 14) | 45½ | 34⅛ |
| 1953 | 12⅜ | 9⅛ | | | |

Last sale price on the New York Stock Exchange on July 14, 1958, was $44.625.

## SUMMARY OF [illegible]

The following summary of net earnings and retained earnings for the ten years ended D 1957 has been prepared from financial statements which have been examined by Touche, N Smart, independent certified public accountants, as set forth in their report appearing elsewhere spectus. Information contained in the summary for the three-month periods ended March 31, 1957

| | [illegible] | [illegible] | [illegible] |
|---|---|---|---|
| | | | (Notes 1 and 2) |
| Sales | $126,932 | $286,752 | $307,751 |
| Other income | 373 | 261 | [illegible] |
| | $127,305 | $287,013 | $307,806 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the period | $120,196 | $273,224 | $276,711 |
| Research and developmental expenses | 440 | 525 | 1,192 |
| General and administrative expenses | 1,780 | 2,368 | 3,145 |
| Depreciation and amortization | 664 | 713 | [illegible] |
| Incentive compensation for officers and employees | 180 | 500 | 1,499 |
| Other expenses | 722 | 750 | 395 |
| Interest expense | 422 | 942 | 117 |
| | $124,404 | $279,022 | $283,579 |
| *Earnings before Taxes on Income* | $ 2,901 | $ 7,991 | $ 24,227 |
| Federal and state taxes on income: | | | |
| Federal excess profits tax | $ — | $ — | $ [illegible] |
| Federal and state income taxes | 1,185 | 3,580 | [illegible] |
| | $ 1,185 | $ 3,580 | $ 13,400 |
| *Net Earnings* | $ 1,716 | $ 4,411 | $ 10,827 |
| Retained earnings at beginning of period | 29,258 | 30,520 | 32,766 |
| | $ 30,974 | $ 34,931 | $ 43,593 |
| Cash dividends paid | $ 1,083 | $ 2,165 | $ 3,247 |
| Amounts transferred to the capital stock account by the Board of Directors: | | | |
| Stock splits (three-for-two in 1952; two-for-one in 1954 and 1956) | | | |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | | | |
| Restoration of unnecessary portion of reserve for contract adjustments and indeterminate expenses | (629) | | |
| | $ 454 | $ 2,165 | $ 3,247 |
| Retained earnings at end of period | $ 30,520 | $ 32,766 | $ 40,346 |
| Net earnings per share (Note 3) | $0.25 | $0.64 | $1.57 |
| Cash dividends per share (Note 3) | 0.16 | 0.31 | 0.47 |

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**Notes to Summary**

1. Unilateral determinations of excessive profits have been made by the Renegotiation Board for th 1953 and 1954, of $9,022,340, $7,315,000 and $9,662,408, respectively, after credit for applicable state taxes The required net refunds, amounting after credits for applicable federal income and excess profits taxes to $2,057,793, and $4,637,956, respectively, have been paid or provided for in the accounts. Financial data above summary have been restated to give effect to the refunds in the applicable years, except that the year 1952 has been reduced by an allowance of $1,200,000, net of taxes, which was originally provi 1950. Petitions have been filed with the Tax Court of the United States for redetermination of the for the years 1952, 1953 and 1954.

The Company does not know and cannot reasonably predict what the Board's actions will be for the years to 1954. In view of this uncertainty and the belief of the Company that no excessive profits were real vision has been made for renegotiation refunds for years subsequent to 1954 or for the three months 31, 1958.

2. In 1950 the accounting policy of the Company was changed to accrue all applicable fees on cert contracts. Under the former policy the withheld portion of such fees was not accrued until colle the change was to increase sales for 1950 by $1,445,785 and net earnings by $691,230.

## TAINED EARNINGS

been prepared from financial statements of the Company not examined by independent account- the management of the Company believes that all adjustments necessary to a fair summary of the uch three-month periods have been included. The summary is subject to, and should be read in with, the financial statements and related notes included elsewhere in this Prospectus.

| In thousands of dollars | | | | | | |
|---|---|---|---|---|---|---|
| ended December 31, | | | | | Three months ended March 31, | |
| 1953 | 1954 | 1955 | 1956 | 1957 | 1957 (without audit) | 1958 (without audit) |
| (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Note 1) | (Notes 1 and 4) |
| $912,431 | $1,023,514 | $853,828 | $1,006,357 | $1,596,509 | $292,712 | $411,052 |
| 1,125 | 1,047 | 776 | 1,168 | 762 | 151 | 45 |
| $913,556 | $1,024,561 | $854,604 | $1,007,525 | $1,597,271 | $292,863 | $411,097 |
| $832,084 | $ 931,446 | $764,603 | $ 905,185 | $1,466,057 | $266,908 | $374,531 |
| 14,561 | 8,541 | 8,412 | 12,458 | 19,646 | 3,015 | 5,773 |
| 6,963 | 8,347 | 9,409 | 9,056 | 13,017 | 2,044 | 3,490 |
| 2,796 | 4,030 | 4,925 | 6,238 | 12,422 | 1,918 | 4,575 |
| 3,000 | 3,900 | 3,250 | 3,866 | 3,995 | 875 | 1,250 |
| 1,005 | 1,174 | 1,293 | 2,215 | 2,469 | 423 | 214 |
| 62 | 59 | 71 | 572 | 2,005 | 5 | 1,165 |
| $860,553 | $ 957,497 | $791,963 | $ 940,390 | $1,519,611 | $275,988 | $390,998 |
| $ 53,003 | $ 67,064 | $ 62,641 | $ 67,135 | $ 77,660 | $ 16,875 | $ 20,099 |
| $ 8,732 | $ — | $ — | $ — | $ — | $ — | $ — |
| 26,011 | 34,726 | 32,250 | 35,000 | 39,500 | 8,800 | 10,600 |
| $ 34,743 | $ 34,726 | $ 32,250 | $ 35,000 | $ 39,500 | $ 8,800 | $ 10,600 |
| $ 18,260 | $ 32,338 | $ 30,391 | $ 32,135 | $ 38,160 | $ 8,075 | $ 9,499 |
| 30,603 | 43,187 | 40,999 | 60,811 | 61,548 | 61,548 | 84,067 |
| $ 48,863 | $ 75,525 | $ 71,390 | $ 92,946 | $ 99,708 | $ 69,623 | $ 93,566 |
| $ 5,676 | $ 9,729 | $ 10,579 | $ 8,163 | $ 6,681 | $ 1,666 | $ 1,738 |
| | 24,797 | | 16,340 | | | |
| | | | 6,895 | 8,960 | | |
| $ 5,676 | $ 34,526 | $ 10,579 | $ 31,398 | $ 15,641 | $ 1,666 | $ 1,738 |
| $ 43,187 | $ 40,999 | $ 60,811 | $ 61,548 | $ 84,067(3) | $ 67,957 | $ 91,828(3) |
| $2.65 | $4.70 | $4.40 | $4.63 | $5.49 | $1.16 | $1.35 |
| 0.82 | 1.41 | 1.53 | 1.18 | 0.96 | 0.24 | 0.25 |

e net earnings and cash dividends per share are based on the number of shares outstanding at the end riod adjusted for the subsequent stock splits and stock dividends referred to in the above summary.

e results of operations for the three months ended March 31, 1958 should not be regarded as necessarily of the results of operations that may be expected for the year ending December 31, 1958.

r information regarding limitations on the declaration of dividends and certain other distributions, reference the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this

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## nd Dividends

l annual interest charges on the Sinking Fund Debentures and on the Convertible Subordinated will be $2,000,000 and $1,376,392, respectively.

Company on June 10, 1958 paid a quarterly cash dividend of 25¢ a share. The payment of idends, whether in cash or in stock or both, is dependent upon future earnings, the financial s of the Company, and other factors.

## HISTORY AND BUSINESS

**General**

The Company was incorporated in Delaware in 1934 to acquire certain assets of United Aircraft & Transport Corporation. However, the original predecessor corporation of the Company was organized by W. E. Boeing in Seattle, Washington, in 1916. The Company's principal executive offices are located at 7755 East Marginal Way, Seattle, Washington, and the principal properties operated by it are located in Seattle and Renton, Washington and Wichita, Kansas. The Company has no subsidiaries.

Since its inception the Company has been engaged primarily in the design, development, manufacture and sale of military and commercial aircraft, spare parts and related products and in the performance of services incidental thereto. Commencing in 1945 the Company has also been engaged in research and development work in the military missile field, including management of over-all development of a complete weapons system, and, more recently, in the production of missiles, spare parts and related products and the performance of services incidental thereto. The Company's operations are currently conducted through an administrative headquarters, five operating divisions and a Systems Management organization which was recently established to manage advanced weapons systems programs.

All aircraft and missiles currently being produced by the Company are powered by turbojet engines or ramjet and rocket engines. Certain items of equipment for the Company's products, such as engines and engine accessories, instruments, and bombing and fire control systems, are not designed or manufactured by the Company. These items are either furnished by customers or purchased from others. In addition, the Company purchases from others substantial quantities of other components which are designed by the Company.

The Company has not manufactured and delivered any commercial aircraft since 1950. However, in 1955 the Company offered to the commercial airlines of the world a four-engine jet transport aircraft, and the Company has been actively engaged in soliciting sales contracts for commercial jet transport aircraft since that time.

The Company's backlog of business under contract as of year-end for the past three years and on March 31, 1958, divided between military and commercial orders, is as follows:

| Year | Total | Military | Commercial |
|---|---|---|---|
| December 31, 1955 | $2,624,000,000 | $2,272,000,000 | $352,000,000 |
| December 31, 1956 | 3,024,000,000 | 2,385,000,000 | 639,000,000 |
| December 31, 1957 | 2,452,000,000 | 1,659,000,000 | 793,000,000 |
| March 31, 1958 | 2,880,000,000 | 2,067,000,000 | 813,000,000 |

A portion of the work included in the backlog figures tabulated above had been performed as of each of the above dates. Costs applicable to such performance as of each of such respective dates, against which the Company had received substantial progress or advance payments, were as follows:

| | |
|---|---|
| December 31, 1955 | $523,469,000 |
| December 31, 1956 | 655,180,000 |
| December 31, 1957 | 654,219,000 |
| March 31, 1958 | 625,832,000 |

Based on published annual reports of the major airframe manufacturers in the United States for the last five years, the Company believes that it was first in volume of gross sales of aircraft, missiles and related products among such manufacturers during the years 1953, 1954 and 1957 and second during the years 1955 and 1956.

The business in which the Company is engaged is a highly competitive one, which requires extraordinary emphasis on research and development work and the advancement of the state of the art in the development of new products. The necessarily changing requirements of the Federal Government with respect to both the type and quantity of military aircraft, missiles and other weapons systems make uncertain the amount and type of future military business of the Company.

In addition, as commercial aircraft tend to become larger, faster and more costly, the design, development and production of commercial aircraft involve greater financial risks than those inherent in similar programs in prior years. The Company is subject to possible liability by reason of warranties against defects in design, material and workmanship made or existing as a matter of law as an incident to the sale by the Company of aircraft, missiles, spare parts and other products.

The principal developments in the products of the Company, certain changes which have occurred in the nature of such products, and certain additional changes which are presently occurring with respect thereto are further described below.

## Military Production

The Company is an important designer and producer of military aircraft and allied products, particularly large multi-engine aircraft. Subsequent to World War II the Company produced for the United States Air Force substantial quantities of four-engine, propeller-driven B-50 bomber and C-97 cargo and troop transport and KC-97 in-flight refueling tanker aircraft. The last B-50 bomber produced by the Company was delivered to the Government in 1953, and the last KC-97 tanker produced by the Company was delivered in 1956. The Company is not now producing any propeller-driven aircraft. However, substantial quantities of these aircraft are still in use by the Government, and the Company is producing spare parts for such aircraft.

In 1948 the Company delivered to the Government the first prototype model B-47 Stratojet six-engine jet bomber. Delivery of the first production model of this aircraft was made in 1950, and production continued thereafter at a high rate through 1956. Substantial quantities of B-47's were also built by Douglas Aircraft Company and Lockheed Aircraft Corporation for the Air Force under license agreements with the Company.

Although the Company is not now producing any B-47 type aircraft, the Company is continuing to manufacture and sell to the Government substantial quantities of spare parts for this aircraft, and in addition the Company is performing a limited amount of modification, overhaul and repair work on B-47 type aircraft and has contracts to convert a limited number of B-47's for special uses.

In 1951 the first prototype model B-52 Stratofortress aircraft, an eight-engine jet bomber, was rolled out of the Company's Seattle plant. The first production model of this aircraft was delivered to the Government in 1954. Since that date substantial quantities of this aircraft have been produced, both in Seattle and in Wichita. Production of B-52's presently constitutes the major portion of the Company's business in Wichita and a substantial portion of the Company's business in Seattle. The final delivery of B-52 aircraft in Seattle is presently scheduled for February 1959. A contract for an improved version of this model, the B-52G, was received by the Company in 1957 and production of this version is now underway in Wichita. Deliveries of this version under present contracts are currently scheduled for completion early in 1960; however, the Company has been informed by the Government that it is considering the ordering of a limited additional quantity of this model for delivery following completion of deliveries under present contracts.

In 1952 the Company, at its own expense, embarked upon a program of design, development and construction of a four-engine jet tanker-transport prototype, at a cost of approximately $16,000,000. The twofold objective of the program was to develop a military jet tanker aircraft for in-flight refueling of jet bombers and fighters and for other military purposes, and to develop a jet transport aircraft for commercial purposes. The prototype made its first flight in July 1954, and shortly thereafter the Company was awarded a contract by the United States Air Force for the production of a military jet tanker-transport aircraft, designated the KC-135. The first production model of the KC-135 was delivered to the Government in January 1957. Production of this model and spare parts therefor now constitutes a substantial portion of the Company's business in the Seattle-Renton area.

The Company's first research contract in the missile field was received in 1945. Since that time the Company has been continuously engaged in research and development work in this field

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and is currently producing for the Air Force the Bomarc IM-99, a supersonic area defense missile. The Bomarc missile, powered by liquid boost rocket and ramjet engines, has an over-all length of 47 feet, has a range of 200 to 250 miles, and an operating altitude of about 60,000 feet. In addition to the missile itself, the Company has the responsibility for providing most of the other components of the weapons system, including launching and control equipment, for installing such components at Government-provided launching bases, and for integrating the complete weapons system. Much of the equipment and work is provided through subcontractors

Further research and development work in the area defense field is continuing under a contract with the United States Air Force for a program to extend the range of the Bomarc IM-99 missile beyond 400 miles, to improve other performance capabilities, and to change to a solid fuel boost rocket engine.

The Company is currently establishing new scientific research laboratories in order to increase its efforts in both general and applied research. The Company is also conducting specific investigations and studies in various additional areas which are believed to have potential for new military business, including manned and unmanned long-range glide rockets and other advanced airborne and ballistic vehicles and advanced military transport-tanker equipment. Proposals in some of these areas have been made to agencies of the Government but no production contracts have been received by the Company. However, on June 16, 1958, the Air Force announced that the Company and one other aircraft company had been selected for a preliminary design competition for the Air Force's advanced boost glide aircraft called Dyna-Soar. The ultimate objective of the program is to develop a boost glide vehicle to orbit around the earth one or more times under control and to make a controlled return to the earth. Research and development contracts have been placed with both sources for the development of competitive preliminary designs. Each source will utilize the specialized skills of other companies in developing its design.

The Company is also producing small gas turbine engines on a limited basis for use principally by the Navy as power plants for small boats, by the Navy and the Air Force as auxiliary power supply units, and for experimental use in helicopters and radio-controlled target aircraft.

As is indicated above, since World War II the Company's military business may be roughly divided into three categories: large multi-engine bombers, large multi-engine transport-tanker type aircraft, and missiles. As the state of the art of the aircraft industry has advanced from propeller-driven to jet-engine-powered aircraft, the Company has been successful in maintaining its position as a principal producer of multi-engine heavy bomber and tanker type aircraft. The B-47 and B-52 production programs followed on after the B-50 production program. Likewise, the KC-135 jet tanker-transport program was a logical follow-on to the C-97 and KC-97 series aircraft. The Company currently has a substantial production program for B-52 bomber aircraft, but the Company is not now working on a multi-engine bomber as a replacement for the B-52. The Company also has a substantial production program for the new KC-135 tanker-transport aircraft. While it is possible that military weapons systems of the future will not require tanker aircraft support, the Company believes there will be a continuing requirement for this type aircraft for use as a transport and other specialized purposes. In the missile field the Company's efforts have been constantly increasing, although the Company has only one missile production program, the Bomarc IM-99.

As a result of the accelerating emphasis throughout the world on the development of missiles and other weapons systems utilizing equipment and design and production techniques some of which are not traditional to the aircraft industry, and the requirement that Government contractors assume increased responsibility for the development and integration of complete weapons systems, the Company has recently enlarged its activities in these areas and may be expected in the future to expand such activities. The new Systems Management organization of the Company has been established to organize, manage and coordinate the development and production of advanced weapons systems for which the resources of two or more companies are required. The changes occurring in the nature of future military weapons systems are requiring research and

development work by the Company in new technological fields and are leading it into competition with companies in other industries with whom it has not heretofore been in competition. The extent to which the Company will obtain future military business in these fields will depend in large measure upon its ability to become proficient in these technologies and to provide the required over-all weapons system management.

## Government Contracts

Substantially all of the Company's government contracts covering work performed for the Government are either of the fixed price incentive or cost reimbursement type. The fixed price incentive type provides for establishment of a target cost, price and profit either at time of execution of the contract or after some production experience has been obtained and for participation, within the limits provided in the contract, by the Company and the Government in the underrun or overrun of the actual cost compared to the target cost. The cost reimbursement type provides for reimbursement of costs with certain exceptions and payment of a fee as specified in each contract. In addition to provisions for termination for default, all of these government contracts provide that they may be terminated by the Government whenever the Government determines that such termination is in its best interest. Upon termination for the convenience of the Government, the Company is entitled to be paid its costs, with certain exceptions, and in general a proportionate share of the profit or fee on the work done.

For a number of years the Company received progress payments as work was performed under fixed price type contracts of amounts up to 90% of costs incurred. In 1955 the Government reduced progress payments under such contracts to 75% of total costs, and in August of 1957 to 70%. Also, in November 1957 the Government reduced current reimbursement percentages under cost reimbursement contracts from 100% to 80% of expenditures thereunder. As a result of these changes, the Company is required to finance a greater portion of the work in process inventories and receivables under government contracts.

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. The Renegotiation Board has issued unilateral orders for the years 1952, 1953 and 1954 determining that the Company earned excessive profits (before adjustment for applicable income taxes) for such years of $10,000,000, $7,500,000 and $10,000,000, respectively, requiring refunds to the Government of $9,822,340, $7,315,080 and $9,662,408, respectively, after credit for applicable state taxes on income. After giving effect to applicable federal income and excess profits tax credits, the net amount of the refund for each of such years is $2,946,702, $2,057,793 and $4,637,956, respectively. The Company has paid or provided for the net refunds as above stated and has filed with the Tax Court of the United States petitions for redetermination of the Board's orders. It is expected that the 1952 case will be tried in the fall of 1958. The Renegotiation Act provides that the Tax Court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board and that the proceeding shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo.* The Company does not know and cannot reasonably predict what the actions of the Renegotiation Board will be for the years 1955, 1956, 1957 and 1958. In view of this uncertainty and the belief of the Company that no excessive profits were realized, no provision has been made for renegotiation refunds for any periods subsequent to 1954. However, there is no assurance that the Company may not be required to make refunds for those years or that the Company will be successful in its suits with respect to the Board's orders for the years 1952, 1953 and 1954.

## Commercial Production and Contracts

Prior to World War II the Company was a pioneer in the design and manufacture of commercial transport aircraft. Since World War II and prior to the advent of the jet transport era, its only production of commercial aircraft was the twin-deck, four-engine, propeller-driven Model 377 Stratocruiser. In late 1945 and in 1946 orders were obtained for 55 Stratocruisers from six

domestic and foreign airlines. These aircraft were delivered in 1949 and 1950 at a total loss to the Company of about $13,800,000 exclusive of applicable general and administrative and selling expenses. The loss resulted from a combination of unfavorable factors, including among others, a four-and-one-half months strike at Seattle in 1948 and unforeseen delays in production schedules and in obtaining certification by the Civil Aeronautics Administration.

The Company's experience with the design, construction and flight testing of the four-engine jet tanker-transport prototype previously mentioned enabled it to offer a commercial jet transport aircraft to the commercial airlines based on actual flight performance of a prototype aircraft. In 1955 the Company obtained from the Government the right to use on a rental basis in the construc- tion of commercial jet aircraft certain Government-owned land, buildings and general purpose machinery and equipment which are used by the Company in its other operations. The Company also obtained from the Government the right to use for the same purpose certain Government- owned jigs, dies, fixtures, special test equipment and other special tooling used by the Company in its KC-135 project, subject to the payment to the Government of an agreed portion of the esti- mated cost of such special tooling based upon the usage made thereof by the Company in the pro- duction of commercial aircraft and subject to the right of the Government to terminate such usage if it should interfere with present or future Government delivery schedules. The Company believes present Government schedules could be substantially accelerated without resulting in such interference.

The Company has now developed five versions of a four-engine jet transport aircraft which have been ordered by commercial airlines. Four of the versions are known as the Model 707, two of which are of extreme long range called the Intercontinental, and two of which are long range called the Stratoliner. The fifth version is of short-to-medium range and is known as the Model 720. The first order for Model 707 aircraft was obtained in October 1955, and 184 Model 707 and 720 jet transports have now been ordered by six United States and nine foreign airlines. In addition, the Company has received a letter contract from the U. S. Air Force for three Model 707 aircraft for use by government executives. Of these aircraft 164 are included in the Company's backlog of commercial orders at March 31, 1958, shown above.

The rollout (October 28, 1957) and first flight (December 20, 1957) of the first production jet transport, a Stratoliner, occurred ahead of the originally established schedule. This aircraft and the second and third production models had accumulated an aggregate of 390 hours of flight time by June 17, 1958. These three aircraft are undergoing extensive Civil Aeronautics Adminis- tration (CAA) certification test programs. It is the opinion of the Company that the substantial flight time of 942 hours (as of June 17, 1958) on the prototype will materially shorten the time which would otherwise be required to obtain CAA certification. The first certificated Stratoliner is scheduled by contract to be delivered in December 1958, the first Intercontinental in August 1959, and the first Model 720 in April 1960; however it is presently anticipated that the first certificated Stratoliner will be delivered prior to the contract date. The status of all commercial aircraft now in production is such that barring unforeseen difficulties deliveries thereof are expected to be made on or ahead of contract schedules.

Substantial advance payments are obtained from commercial customers prior to the com- mencement of and during the manufacture of the aircraft ordered. In connection with certain orders for Model 707 aircraft, the Company has entered into agreements relating to the purchase by the Company of sixteen used aircraft, under which the Company may, under certain conditions, have a maximum obligation of approximately $4,500,000. With respect to the sale of aircraft to certain airlines, the Company has agreed to accept interest-bearing notes for a limited portion of the sales price, the maturities of some of which extend up to seven years after delivery of the aircraft to which such notes relate.

The design, production and sale of commercial aircraft has been and is a highly competitive business. The Model 707 and 720 transports are directly competitive with long and medium range jet transports being offered both in this country and in foreign countries by a number of domestic and foreign manufacturers.

The Company believes that it has made good progress in re-establishing itself in the commercial aircraft business. It plans to continue its development of advanced models of aircraft to meet the future requirements of the airlines and is currently conducting investigations and studies for this purpose. However, as previously pointed out, the development, testing, construction and marketing of new aircraft such as the Model 707 and 720 is a hazardous undertaking. The ultimate success of the Company in the commercial field will depend upon many things, including among others, the total quantity sold which in turn is dependent in part on the financial capabilities of the world's commercial airlines; whether the Company can produce the aircraft at costs reasonably within the limits of the estimates of cost used in establishing sales prices for the aircraft; the ability of the Company to obtain CAA certification of the aircraft within a reasonable period of time; and unforeseeable changes in general economic, industrial and international conditions or in legislative, governmental or administrative regulations which take place between the commencement of production and the delivery of aircraft.

### Employee Relations

On June 1, 1958 the Company had slightly more than 90,000 employees, about two-thirds of whom were employed in the Seattle-Renton area. Substantially all factory employees at the Seattle, Renton and Wichita plants are represented by locals of the International Association of Machinists (A.F.L.-C.I.O.). Professional engineers (other than supervisory) at the Seattle and Renton plants are represented by the Seattle Professional Engineering Employees Association, and at Wichita by the Wichita Engineering Association. The Company has agreements with these and other unions covering wages, hours and other conditions of employment.

An agreement was recently reached with a lodge of the International Association of Machinists, covering about 36,000 employees in the State of Washington, which is subject to renewal or termination on April 22, 1960. The agreement provides for certain increases in wage rates effective May 23, 1958 and May 23, 1959, the aggregate of which are generally no greater than those granted in recent settlements by other major West Coast airframe companies. The agreement also provides for negotiation on the subject of wage rates, relating to the period after May 22, 1959, if request for such negotiation is made at least 60 days prior to that date, but without the right to strike in the event agreement as to change is not reached.

The agreement with a lodge of the International Association of Machinists covering about 17,000 employees at Wichita, is subject to renewal or termination on July 22, 1958, but provides for an automatic extension to August 22, 1958, if a new agreement has not been reached prior to July 22. The Company is currently engaged in negotiations with this union.

The other agreements are subject to renewal at various times during the year 1958 or subsequently, and provide that negotiations toward renewal may be opened in advance of the date for renewal.

There have been no work stoppages at Company plants since the strike at the Seattle plants which ended in September 1948.

The Company has in effect various benefit plans which form a comprehensive employee security program. These plans include a non-contributory trusteed retirement plan for employees, and group insurance plans which offer life, accident and hospital and surgical insurance to employees, and hospital and surgical insurance to their dependents. Reference is made to Note C to the financial statements for further information concerning the retirement plan.

An Incentive Compensation Plan for Officers and Employees of the Company was first adopted by the stockholders in 1947. The Plan provides in effect that in any year the Board of Directors may set aside a sum not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such sum awards are made by the Incentive Compensation Committee elected by the Directors to such officers and employees, and certain former employees and the survivors of certain deceased employees, as the Committee shall determine. The members of the Committee are not eligible to participate in any awards. No award in excess of 5% of the fund may be made in any one year to any one officer or employee. Awards of less than $500 and awards to former employees and the survivors of deceased employees are paid in cash. Awards of $500 or more after deductions required by federal or state statute are paid approximately one-half in cash and one-half in

Capital Stock at the market value thereof on the distribution date. However, the Plan provides that the Board of Directors may direct that a greater portion of any award shall be paid in Capital Stock if the Board determines that this is in the best interests of the Company. Awards for the year 1957, which were paid to the maximum extent possible under the Plan in full shares of Capital Stock, were made to 7,940 officers and employees in the aggregate amount of $3,994,390, of which $102,790 was paid to fifteen executive officers of whom six were also directors.

## DESCRIPTION OF PROPERTY

The following tabulation summarizes the approximate building and land areas of the principal operating properties of the Company showing the relationship between the Company-owned and Company-leased and Government-owned facilities operated by the Company under contract as of April 30, 1958. The tabulation also shows the approximate relationship between Company-owned and Government-owned machinery and equipment.

| | Company-Owned Facilities | | Government-Owned Facilities | | Facilities Leased from Others | | Ownership of Machinery and Equipment | |
|---|---|---|---|---|---|---|---|---|
| | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Square Feet of Floor Area | Acres of Land | Company | Government |
| Seattle Area* | 4,671,029 | 233.59 | 3,420,790 | 147.21 | 1,334,346 | 230.17 | 40% | 60% |
| Renton Area | 741,861 | 68.17 | 2,333,430 | 92.99 | 33,581 | 41.39 | 60% | 40% |
| Wichita Area | 328,816 | 30.35 | 5,050,863 | 540.97 | 356,484 | 34.25 | 5% | 95% |
| Moses Lake Area* | — | — | 768,241 | 327.20 | — | — | 10% | 90% |
| | 5,741,706 | 332.11 | 11,573,324 | 1,108.37 | 1,724,411 | 305.81 | | |

* Certain land, buildings, and machinery and equipment owned by the Government and operated by the Company or leased from others located in the nearby communities of Auburn, Bellevue and Tacoma, Washington, and used for office, warehousing and other support functions for both Seattle and Renton operations, are included in the Seattle Area in the tabulation above. The Moses Lake facilities in eastern Washington are used for flight test and delivery of military aircraft.

In 1955, the Company embarked on a substantial program for expansion of its capital facilities, including a new Developmental Center at Seattle and a new manufacturing and office facility at Renton. These two facilities are now substantially completed and the others included in the program are nearing completion. The following tabulation shows the capital expenditures for each year during the period 1948 through 1957:

| Year | Gross Additions to Plant, Property and Equipment |
|---|---|
| 1948 | $ 1,142,341 |
| 1949 | 1,413,408 |
| 1950 | 2,908,571 |
| 1951 | 5,175,449 |
| 1952 | 6,675,358 |
| 1953 | 8,009,875 |
| 1954 | 5,061,959 |
| 1955 | 7,521,100 |
| 1956 | 30,847,605 |
| 1957 | 45,043,425 |
| Total | $113,799,091 |

During the ten-year period plant, property and equipment retirements aggregated $3,354,921.

Of the total additions to plant, property and equipment made during this period, the Company obtained Certificates of Necessity pursuant to which $45,706,749 of the cost of such additions is being amortized over sixty-month periods commencing as to each project with the month following the completion date of such project.

No runways and taxiways located on airport properties are included in the first tabulation under this heading, since all such facilities are used by the Company jointly with others. The Company's right of use of such facilities on Boeing Field, Seattle, Washington, is provided under a 75-year lease from King County, Washington, dated September 14, 1955, and the Company's right of use of such facilities at Renton, Washington is provided under a 5-year lease with the City of Renton dated June 1, 1955, which contains two options in the Company to extend the term for five

years on each option. At Wichita, Kansas, the Company's right of use of such facilities on the McConnell Air Force Base originated pursuant to an agreement with the Board of Park Commissioners of the City of Wichita dated April 10, 1939, and extends for such period of time as the Company continues to own, maintain and operate a factory for the manufacture of aircraft at the present location. The McConnell Air Force Base was acquired by the Government in 1951 subject to the Company's rights under the aforesaid agreement.

The facilities contracts between the Company and the United States Government, pursuant to which the Government furnishes to the Company the Government-owned land, buildings, and machinery and equipment referred to herein, provide for the use of such facilities with the approval of the Government on work for the Government without payment of any rental or usage charge, and are subject to termination at the convenience of the Government. Contract AF33(600)-36041, pursuant to which the Government furnishes to the Company approximately 26 acres of land, office and factory buildings having approximately 540,700 square feet of floor space, and certain machinery and equipment, all located in Seattle, Washington, does not presently authorize the use of facilities furnished thereunder on work other than for the Government. The other facilities contracts authorize the use of Government facilities furnished thereunder on non-Government contract work with the approval of the Government and upon the payment of rental charges for such use.

The facilities referred to above which are furnished to the Company under Contract AF33(600)-36041 were first made available to the Company in February 1958, and are presently being rehabilitated and modernized for use in the production of Bomarc missiles. It is anticipated that such facilities will be ready for full use early in 1959.

The Government furnishes to the Company certain office space, installations and equipment at various Air Force bases, of which the most substantial amount is at Cape Canaveral and Patrick Air Force Base, Florida, for use in missile testing.

The properties of the Company are generally well maintained and in good operating condition. The Company maintains a continuous program of improvements and modernization, but it cannot estimate the extent to which new developments in aircraft and missiles may make any of its properties obsolete.

Except for current taxes, assessments, rights of way and other restrictions which do not materially interfere with the use of its plants and properties, the Company knows of no material defects in title to the properties owned by it nor of any major encumbrances thereon. However, no special examination of title to properties has been made in connection with this offering.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the Company are:

| Name | Title |
|---|---|
| William M. Allen | President and Director |
| Wellwood E. Beall | Senior Vice President and Director |
| J. B. Connelly | Vice President—General Manager, Transport Division |
| Darrah Corbet | Director |
| C. L. Egtvedt | Chairman and Director |
| D. A. Forward | Director |
| Artemus L. Gates | Director |
| C. B. Gracey | Vice President—Operations |
| Fred P. Laudan | Vice President—Manufacturing and Director |
| A. F. Logan | Vice President—Labor Relations |
| George C. Martin | Vice President—General Manager, Seattle Division |

| Name | Title |
|---|---|
| J. P. Murray | Vice President—Eastern Representative |
| Evan M. Nelsen | Treasurer |
| Paul Pigott | Director |
| J. E. Prince | Vice President—Administration and Secretary |
| William G. Reed | Director |
| J. E. Schaefer | Vice Chairman and Director |
| Dietrich Schmitz | Director |
| N. D. Showalter | Vice President—General Manager, Wichita Division |
| Clyde Skeen | Controller |
| Edward C. Wells | Vice President—General Manager, Systems Management Office, and Director |
| Lysle A. Wood | Vice President—General Manager, Pilotless Aircraft Division |
| J. O. Yeasting | Vice President—Finance and Director |

All the executive officers named in the foregoing table have been actively engaged in the business of the Company for more than the past five years. Mr. Egtvedt devotes only a portion of his time to the Company's business and receives no compensation except director's fees.

Mr. D. A. Forward is a Senior Vice President of The First National City Bank of New York. The Company maintains a line of credit with and borrows money from that bank from time to time in the ordinary course of business. At June 16, 1958, the Company's borrowings from that bank aggregated $30,355,000.

### Remuneration of Directors and Officers

The following tabulation sets forth the aggregate remuneration paid by the Company during the year 1957 (1) to each director, and each of the three highest paid officers of the Company, whose aggregate direct remuneration exceeded $30,000 and (2) to all directors and officers of the Company as a group, and the estimated annual benefits each of such persons will be paid under the Company's Retirement Plan upon retirement at the normal retirement date and assuming no change in present rates of compensation:

| Name of Individual or Identity of Group | Capacities in which Remuneration was Received | Aggregate Direct Remuneration (1) | Estimated Annual Benefits upon Retirement |
|---|---|---|---|
| William M. Allen | President | $120,100 | $ 19,610 |
| Wellwood E. Beall | Senior Vice President | 83,660 | 25,375 |
| Fred P. Laudan | Vice President—Manufacturing | 46,520 | 11,390 |
| J. E. Schaefer | Vice Chairman (2) | 46,520 | 8,875 |
| Edward C. Wells | Vice President—Engineering | 68,645 | 22,385 |
| J. O. Yeasting | Vice President—Finance | 52,700 | 13,420 |
| Directors and Officers (including above) as a group | | 772,970 | 178,235 |

(1) The amounts shown in the column entitled "Aggregate Direct Remuneration" include awards made under the Incentive Compensation Plan for the year 1956 which were paid in the year 1957. The provisions of the Plan are briefly outlined under "Employee Relations".

(2) Mr. Schaefer was elected Vice Chairman of the Company on May 7, 1957. Prior thereto he had been Vice President—General Manager of the Wichita Division.

The stockholders at the annual meeting on May 6, 1958, adopted a Stock Option Plan. Under the Plan an aggregate of not more than 200,000 shares of Capital Stock (subject to proportionate adjustment for future stock dividends, stock splits and other changes in Capital Stock) may be issued pursuant to options granted by a committee of directors, the members of which are ineligible to receive options, to officers and key employees of the Company at not less than 100% of the prevailing market price at the time each option is granted. Not more than 10% of the maximum number of shares that may be issued pursuant to options may be issued to any one officer or employee pursuant to options granted under the Plan, and no option may be exercised until the holder has remained in the employ of the Company for at least two years after the granting of the option. All options must be restricted stock options within the meaning of that term as used in Section 421 of the Internal Revenue Code, and no option may be granted which is exercisable more than ten years after the date it is granted. Stock issued upon the exercise of an option must be paid for in cash. No options have been granted under the Plan as of the date of this Prospectus.

### Ownership of Securities

On June 1, 1958 the officers and directors of the Company, as a group, owned beneficially, directly or indirectly, 79,536 shares of the Company's Capital Stock or 1.13% of the Capital Stock then outstanding.

## DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are to be issued under an Indenture to be dated July 1, 1958 between the Company and The Chase Manhattan Bank, Trustee. A copy of the Indenture in the form in which it will be executed is filed as an Exhibit to the Registration Statement. References are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such reference. Wherever a defined term is indicated, the definition thereof is contained in §1.01 of the Indenture.

The principal amount of Convertible Subordinated Debentures which may be issued under the Indenture is limited to $30,597,600. Such Debentures are to be unsecured obligations of the Company, maturing July 1, 1980 and bearing interest from July 29, 1958 at the rate specified on the cover page payable semi-annually on January 1 and July 1.

Principal and interest are payable at the principal office of the Trustee in the Borough of Manhattan, The City of New York (§7.03).

### Redemption

**Optional Redemption.** The Convertible Subordinated Debentures may be redeemed by lot at the option of the Company, as a whole at any time or in part from time to time (provided in either case that at the time the notice of redemption is first published it is not in default in the payment of any Senior Indebtedness), on any date prior to maturity, on not less than 30 days' nor more than 90 days' published notice, at the following redemption prices (expressed in percentages of the principal amount):

IF REDEEMED DURING THE TWELVE MONTHS' PERIOD ENDING JULY 1,

| Year | Percentage | Year | Percentage | Year | Percentage | Year | Percentage |
|---|---|---|---|---|---|---|---|
| 1959 | 105½ | 1964 | 103¾ | 1969 | 102½ | 1974 | 101¼ |
| 1960 | 105 | 1965 | 103½ | 1970 | 102¼ | 1975 | 101 |
| 1961 | 104½ | 1966 | 103¼ | 1971 | 102 | 1976 | 100¾ |
| 1962 | 104¼ | 1967 | 103 | 1972 | 101¾ | 1977 | 100½ |
| 1963 | 104 | 1968 | 102¾ | 1973 | 101½ | 1978 | 100¼ |

and thereafter at 100% of the principal amount thereof, together with accrued interest to the date of redemption (§5.01(a) and §5.02).

**Sinking Fund Redemption.** The Convertible Subordinated Debentures are also redeemable by lot, on like notice, through the sinking fund, at the principal amount thereof, together with accrued interest to the date fixed for redemption, on January 1, 1968 and on each January 1 thereafter to and including January 1, 1979 (§5.01(b) and §5.02).

See "Certain Provisions of the Senior Debentures" for additional restrictions on the optional or sinking fund redemption of Convertible Subordinated Debentures.

### Sinking Fund

Prior to January 1, 1968 and prior to January 1 of each year thereafter to and including January 1, 1979 the Company will pay to the Trustee, as a mandatory sinking fund, $1,750,000 plus accrued interest on the Convertible Subordinated Debentures to be redeemed through the sinking fund. At its option the Company may make an additional sinking fund payment (provided that at the time notice thereof is first given to the Trustee the Company is not in default in the payment of any Senior Indebtedness) on or before the due date of any mandatory sinking fund payment in an amount up to but not exceeding $1,750,000. No optional sinking fund payment shall have the effect of reducing any mandatory sinking fund payment. The option to make such additional sinking fund payment is not cumulative and to the extent not exercised shall terminate (§6.01 and §6.02).

At its option the Company may make any mandatory sinking fund payment in whole or in part in cash or in Convertible Subordinated Debentures or by a credit for Convertible Subordinated Debentures previously converted or redeemed but not theretofore applied as a credit (other than those converted after being called for redemption through the sinking fund) (§6.04).

### Subordination

In the event of any dissolution, total liquidation or reorganization of the Company, the payment of the principal of and premium, if any, and interest on the Convertible Subordinated Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, but this will not affect the obligation of the Company (except during the pendency of any such dissolution, total liquidation or reorganization) to make payments of principal, premium, if any, or interest on such Debentures. Upon the payment in full of all Senior Indebtedness, the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments applicable to Senior Indebtedness upon any dissolution, total liquidation or reorganization of the Company, whether in insolvency proceedings or otherwise, until the principal of and premium, if any, and interest on such Debentures shall have been paid in full (§3.02 and §3.03).

Senior Indebtedness is defined as all indebtedness (other than the Convertible Subordinated Debentures) incurred, assumed or guaranteed by the Company which is for money borrowed, other than indebtedness the terms of which expressly provide that it is not senior to such Debentures, and any renewals, deferrals, extensions or refundings of any such Senior Indebtedness (§1.01). The Senior Debentures are Senior Indebtedness within the meaning of this definition.

By reason of such subordination, in event of insolvency, creditors of the Company, other than holders of Senior Indebtedness and holders of Convertible Subordinated Debentures, may recover less, ratably, than holders of Senior Indebtedness, but more, ratably, than holders of such Debentures upon any such distribution of assets.

### Conversion Rights

The holder of any Convertible Subordinated Debenture has the right, at his option, at any time on or before July 1, 1980 (except that in case such Debenture shall be called for

redemption, such right shall terminate at the close of business on the tenth day prior to the date fixed for redemption) to convert such Debenture or any part of the principal amount thereof which is $100 or a multiple of $100 into shares of Capital Stock of the Company (as defined) at the conversion rate set forth on the cover page hereof (subject to adjustment) (§4.01, §4.04 and §4.05).

The Indenture contains provisions to protect the conversion rate against dilution by making appropriate adjustments therein upon the occurrence of certain events, including, among other things, the issuance of Capital Stock or securities convertible into Capital Stock and a reclassification or change of the Capital Stock. Any such adjustment will be based upon the consideration received for such Capital Stock or upon the conversion rate for such convertible securities. However, in making such adjustments, stock dividends of not more than 4% in any one year and not more than 12% in the aggregate shall be treated as though issued for a consideration equal to the market price of the Capital Stock on the date of declaration of such dividends to the extent such stock dividends have been "earned" within the meaning of the indenture. Adjustments are cumulative but are required to be made only if the resulting change in the conversion rate is not less than 1/20th of a share of Capital Stock and need be made only to the largest possible multiple of 1/20th of a share. No adjustment is required to be made upon the issuance of up to 350,000 shares of Capital Stock appropriately adjusted for stock dividends, stock splits and stock consolidations, pursuant to the Company's Stock Option Plan or Incentive Compensation Plan (§1.01 and §4.05).

Upon conversion of any Convertible Subordinated Debenture, an appropriate cash payment will be made in lieu of issuing fractional shares of Capital Stock, but no adjustment will be made for interest accrued on any such Debenture or for dividends on any Capital Stock issued on conversion (§4.02 and §4.03).

Debentures may be presented for conversion at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

### Restriction on Additional Funded Indebtedness

The Company will not, nor will it permit any Subsidiary to, create, guarantee or assume any additional Funded Indebtedness unless immediately thereafter Consolidated Net Tangible Assets shall be at least 225% of Consolidated Funded Indebtedness (§7.08).

Funded Indebtedness is defined as debt of the Company or any Subsidiary which matures more than one year after the date such Funded Indebtedness is determined, but there is excluded from such definition, among other things, (a) debt secured by certain permitted encumbrances including purchase money mortgages or other liens created simultaneously with the acquisition or construction of property and encumbrances existing on any property at the time of acquisition, (b) debt secured by any encumbrance hereafter created on any unimproved property now owned by the Company, (c) debt secured by certain permitted encumbrances, including liens created under Regulation V of the Federal Reserve System or, under specified conditions, in connection with war or defense production, (d) debt, whether secured or unsecured, identified with government contracts for production, research or development, (e) debt incurred for the purpose of enabling the Company or a Subsidiary to hold or finance customers' paper arising out of the sale of products or merchandise and (f) debt hereafter incurred which is expressly subordinated to the Convertible Subordinated Debentures (§1.01).

Consolidated Net Tangible Assets is defined as the total assets of the Company and its Subsidiaries less current liabilities, amortization and depreciation reserves and other asset valuation reserves, treasury stock, intangible assets, write-ups subsequent to December 31, 1957 of fixed or intangible assets above cost, and adjustments for minority interests, if any, in Subsidiaries (§1.01).

Subsidiary is defined as any corporation of which the Company or one or more of its other Subsidiaries owns more than 50% of the voting securities and whose accounts are customarily consolidated with those of the Company, but does not include a corporation substantially all of whose physical properties are outside the United States and Canada or which has been organized for the purpose of financing the sale or lease of aircraft or as a Western Hemisphere Trade Corporation (§1.01). The Indenture contains certain other restrictions relating to Subsidiaries, although the Company at present has no subsidiaries.

## Restriction on Dividends, Distributions and Certain Acquisitions

The Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares) or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings (as defined) subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness which has been converted into stock after such date), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan (§7.12).

See "Certain Provisions of the Senior Debentures" for further restrictions on dividends, distributions, purchases and redemptions.

## Concerning the Trustee

The Indenture provides that the Trustee, except during the existence of an Event of Default, shall undertake to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default the Trustee may exercise the rights and powers vested in it by the Indenture and shall use the same degree of care as a prudent man would exercise under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the powers vested in it unless offered reasonable indemnity by the Debentureholders (§10.01 and §10.02).

The holders of a majority of the aggregate principal amount of the Convertible Subordinated Debentures outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or to exercise any trust or power conferred on the Trustee (§9.09).

## Events of Default and Notice Thereof

The Indenture defines as an "Event of Default": 30 days' default in payment of interest; default in payment of principal or premium, if any; 30 days' default in payment of any sinking fund obligation; 90 days' default, after notice from the Trustee or the holders of at least 25% in principal amount of outstanding Convertible Subordinated Debentures, in performance of any other covenant; and certain events in bankruptcy, insolvency, or reorganization proceedings (§9.01).

The Indenture provides that the Trustee shall, within 90 days (exclusive of the period of grace, if any, stated above) after the happening thereof, give due notice to the Debentureholders of any occurrence of any uncured Event of Default known to it. However, unless such default be the failure to pay the principal of or premium, if any, or interest on any of the Convertible Subordinated Debentures, or to pay a sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice in the interests of the Debentureholders (§9.10). On or before April 15 in each year the Company must file with the Trustee an Officers' Certificate (as defined) with respect to the existence or absence of any default by the Company in the performance or fulfillment of certain covenants contained in the Indenture (§7.15). The Indenture does not require the furnishing of any periodic evidence to the Debentureholders as to the absence of default or as to compliance with the terms of the Indenture.

The Trustee or the holders of 25% of the Convertible Subordinated Debentures may declare the principal of any such Debentures due upon the happening of an Event of Default but the holders of a majority of such Debentures may waive any such default and rescind such declaration if the default is cured (§9.01). Debentureholders may not institute any proceedings to enforce the indenture unless the Trustee refuses to act after request from the holders of 25% of such Debentures and a tender to the Trustee of reasonable indemnity, but any Debentureholder may enforce payment of principal of, premium, if any, and interest on his own Debenture when due (§9.06 and §9.07).

**Modification of the Indenture**

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Convertible Subordinated Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing any of the provisions of the Indenture or modifying the rights of the holders of such Debentures or coupons; provided that no such supplemental indenture shall (a) extend the fixed maturity of any Convertible Subordinated Debentures, reduce the principal amount thereof, reduce any premium payable upon the redemption thereof, reduce the rate or extend the time of payment of interest thereon, or impair the right to convert such Debentures without the consent of the holder of each Convertible Subordinated Debenture so affected, or (b) reduce the aforesaid percentage of Debentureholders required to consent to any such supplemental indenture, without the consent of the holders of all such Debentures then outstanding (§13.02).

In addition, the Indenture provides that the Company and the Trustee may execute supplemental indentures without the consent of the Debentureholders in order to provide security for the Convertible Subordinated Debentures, or to add additional covenants, restrictions, conditions or provisions for the protection of Debentureholders, or to clarify ambiguous provisions in the Indenture, or to make such other provisions as the Company may deem desirable which shall not be inconsistent with the provisions of the Indenture or of any supplemental indenture and which shall not adversely affect the interests of Debentureholders (§13.01).

## CERTAIN PROVISIONS OF THE SENIOR DEBENTURES

As previously mentioned under the heading "Sale of Senior Debentures" in this Prospectus, the Company has authorized the issue of $40,000,000 principal amount of Sinking Fund Debentures, due August 1, 1978. These Senior Debentures are to be issued under an Indenture dated August 1, 1958 between the Company and City Bank Farmers Trust Company, Trustee. A copy of such Indenture in the form in which it is to be executed is an Exhibit to the Registration Statement. A separate Prospectus summarizes the provisions of such Indenture and the rights of holders of the Senior Debentures.

The Indenture under which the Senior Debentures are to be issued provides that the Company will not declare or pay dividends or make distributions on any shares of its stock of any class (except, in each case, those payable in such shares), or purchase or redeem, or permit a Subsidiary to purchase or redeem, any shares of the Company's stock of any class or any subordinated

indebtedness, including the Convertible Subordinated Debentures, if upon giving effect thereto the aggregate of all such dividends, distributions, purchases and redemptions (with certain exceptions) subsequent to December 31, 1957 would exceed the sum of (a) Consolidated Net Earnings subsequent to December 31, 1957, (b) $10,000,000, (c) the net consideration, whether cash or property, received after December 31, 1957 from the issuance of stock of any class (or any indebtedness other than the Convertible Subordinated Debentures which has been converted into such stock), (d) the market value of treasury stock of any class distributed after December 31, 1957 under the Company's Incentive Compensation Plan and (e) the consideration received upon the sale of treasury stock of any class pursuant to the Company's Stock Option Plan. This restriction will not prevent, among other things, the making of any sinking fund or similar payment required to be made by the terms of any subordinated indebtedness, including the Convertible Subordinated Debentures.

The Senior Debentures may be redeemed at the option of the Company in whole or in part at any time at specified redemption premiums. In addition, the Senior Debentures are entitled to the benefits of a sinking fund requiring the annual retirement, beginning in 1964, of $2,700,000 principal amount of Senior Debentures and, at the option of the Company, not more than an additional $2,700,000 principal amount annually.

## DESCRIPTION OF CAPITAL STOCK

The total authorized shares of Capital Stock of the Company is 10,000,000 of the par value of $5 each.

Subject to the restrictions on dividends set forth above under "Description of the Convertible Subordinated Debentures" and "Certain Provisions of the Senior Debentures", holders of the Capital Stock are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. The amount of retained earnings at December 31, 1957 which will be available for payment of dividends under the foregoing restrictions was $10,000,000.

Stockholders are entitled to one vote for each share and to vote cumulatively for directors. Upon liquidation stockholders are entitled to share ratably in the assets available for distribution. The Capital Stock has such preemptive or subscription rights as are accorded by the common law of Delaware except that under its Certificate of Incorporation the Company may issue and sell to officers and employees, free of preemptive rights, up to 200,000 shares plus additional amounts determined on the basis of stock dividends after April 24, 1956, applied to the then unissued balance of such shares. After giving effect to the declaration of stock dividends subsequent to such date and to the issuance of 103,312 shares of Capital Stock in payment of awards under the Company's Incentive Compensation Plan, the number of shares of Capital Stock presently available for issuance to officers and employees of the Company under the Certificate of Incorporation free from preemptive rights is 274,513.

The shares issued upon conversion of the Convertible Subordinated Debentures in accordance with their terms will be fully paid and non-assessable.

## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below have severally agreed to purchase from the Company, and the Company has agreed to sell to them severally, at the Subscription Price set forth on the cover of this Prospectus, plus accrued interest from the date of the expiration of the Subscription Offer, the respective percentages set forth below of such of the Convertible Subordinated Debentures as shall not be subscribed for through the exercise of Rights (the Unsubscribed Debentures).

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| iman Ripley & Co., Incorporated | 63 Wall Street, New York 5, N. Y. | 8.225% |
| th & Co., Inc. | 14 Wall Street, New York 5, N. Y. | 8.225 |
| C. Allyn and Company, Incorporated | 122 South La Salle Street, Chicago 3, Ill. | 0.80 |
| che & Co. | 36 Wall Street, New York 5, N. Y. | 0.40 |
| con, Whipple & Co. | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| bert W. Baird & Co., Incorporated | 110 E. Wisconsin Ave., Milwaukee 2, Wis. | 0.40 |
| ker, Weeks & Co. | One Wall Street, New York 5, N. Y. | 0.40 |
| Barth & Co. | 404 Montgomery Street, San Francisco 4, Calif. | 0.40 |
| teman, Eichler & Co. | 453 South Spring Street, Los Angeles 13, Calif. | 0.25 |
| G. Becker & Co. Incorporated | 120 South La Salle Street, Chicago 3, Ill. | 1.00 |
| ir & Co. Incorporated | 20 Broad Street, New York 5, N. Y. | 0.80 |
| lliam Blair & Company | 135 South La Salle Street, Chicago 3, Ill. | 0.40 |
| nt Ellis & Simmons | 208 South La Salle Street, Chicago 4, Ill. | 0.40 |
| sworth, Sullivan & Company, Inc. | 660 Seventeenth Street, Denver 2, Colorado | 0.35 |
| ex. Brown & Sons | 135 East Baltimore Street, Baltimore 2, Md. | 1.00 |
| sh, Slocumb & Co. Inc. | 465 California Street, San Francisco 4, Calif. | 0.35 |
| tcher & Sherrerd | 1500 Walnut Street, Philadelphia 2, Pa. | 0.25 |
| rk, Dodge & Co. | 61 Wall St., New York 5, N. Y. | 1.00 |
| hard W. Clarke Corporation | 535 Fifth Avenue, New York 17, N. Y. | 0.25 |
| ffin & Burr, Incorporated | 60 State Street, Boston 9, Mass. | 0.80 |
| len Collins & Company | 105 South La Salle Street, Chicago 3, Ill. | 0.35 |
| rts & Co. | 11 Marietta St., N. W., Atlanta, Georgia | 0.40 |
| owell, Weedon & Co. | 650 South Spring St., Los Angeles 14, Calif. | 0.25 |
| ttenden, Podesta & Co. | 209 South La Salle Street, Chicago 4, Ill. | 0.35 |
| rtiss, House & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| vis, Skaggs & Co. | 111 Sutter St., San Francisco 4, Calif. | 0.35 |
| war, Robertson & Pancoast | 111 Soledad Street, San Antonio, Texas | 0.25 |
| k & Merle-Smith | 48 Wall Street, New York 5, N. Y. | 0.80 |
| minick & Dominick | 14 Wall Street, New York 5, N. Y. | 1.00 |
| xel & Co. | 1500 Walnut Street, Philadelphia 1, Pa. | 1.00 |
| ancis I. duPont & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| tman Dillon, Union Securities & Co. | 15 Broad Street, New York 5, N. Y. | 1.65 |
| worthy & Co. | 111 Sutter Street, San Francisco 4, Calif. | 0.35 |
| anuel, Deetjen & Co. | 120 Broadway, New York 5, N. Y. | 0.40 |
| itable Securities Corporation | Two Wall Street, New York 5, N. Y. | 0.80 |
| abrook & Co. | 15 State Street, Boston 9, Mass. | 0.80 |
| y, Clark & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.25 |
| well, Chapman & Co. | 208 South La Salle Street, Chicago 4, Ill. | 0.35 |
| First Boston Corporation | 15 Broad Street, New York 5, N. Y. | 2.80 |
| t of Michigan Corporation | Two Wall Street, New York 5, N. Y. | 0.35 |
| Southwest Company | Mercantile Bank Building, Dallas 1, Texas | 0.40 |

| Name | Address | Percentage Unsubscribed Debentures |
|---|---|---|
| Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. | 725—15th Street, N. W., Washington 5, D. C. | 0.25 |
| Foster & Marshall | 820 Second Avenue, Seattle 4, Wash. | 0.40 |
| Fulton Reid & Co., Inc. | 1186 Union Commerce Building, Cleveland 14, Ohio | 0.35 |
| Glore, Forgan & Co. | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Goldman, Sachs & Co. | 20 Broad Street, New York, N. Y. | 1.65 |
| Goodbody & Co. | 115 Broadway, New York 6, N. Y. | 0.35 |
| Granbery, Marache & Co. | 67 Wall Street, New York 5, N. Y. | 0.35 |
| Hallgarten & Co. | 44 Wall Street, New York 5, N. Y. | 1.65 |
| Hallowell, Sulzberger, Jenks, Kirkland & Co. | Philadelphia National Bank Bldg., Broad & Chestnut Streets, Philadelphia 7, Pa. | 0.35 |
| Wm. P. Harper & Son & Company | 1504 Third Avenue, Seattle 1, Wash. | 0.35 |
| Hayden, Miller & Co. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| Hayden, Stone & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Hemphill, Noyes & Co. | 15 Broad Street, New York 5, N. Y. | 1.00 |
| Henry Herrman & Co. | One Wall Street, New York 5, N. Y. | 0.25 |
| Hornblower & Weeks | 40 Wall Street, New York 5, N. Y. | 1.65 |
| Howard, Weil, Labouisse, Friedrichs and Company | 222 Carondelet Street, New Orleans 12, La. | 0.25 |
| E. F. Hutton & Company | 61 Broadway, New York 6, N. Y. | 0.40 |
| W. E. Hutton & Co. | 14 Wall Street, New York 5, N. Y. | 1.60 |
| The Illinois Company Incorporated | 231 So. La Salle Street, Chicago 4, Ill. | 0.40 |
| Johnston, Lemon & Co. | Southern Building, Washington 5, D. C. | 0.25 |
| June S. Jones & Co. | 509 U. S. Bank Bldg., Portland 4, Oregon | 0.35 |
| Joseph, Mellen & Miller, Inc. | 1170 Union Commerce Building, Cleveland 14, Ohio | 0.25 |
| Kay, Richards & Co. | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Kidder, Peabody & Co. | 17 Wall Street, New York 5, N. Y. | 1.65 |
| Kirkpatrick-Pettis Company | 540 Omaha National Bank Building, Omaha 2, Nebraska | 0.25 |
| Kuhn, Loeb & Co. | 30 Wall Street, New York 5, N. Y. | 2.80 |
| Ladenburg, Thalmann & Co. | 25 Broad Street, New York 4, N. Y. | 1.00 |
| W. C. Langley & Co. | 115 Broadway, New York 6, N. Y. | 0.60 |
| Lazard Freres & Co. | 44 Wall Street, New York 5, N. Y. | 1.65 |
| Lee Higginson Corporation | 20 Broad Street, New York 5, N. Y. | 1.00 |
| Lehman Brothers | One William Street, New York 4, N. Y. | 1.65 |
| Lester, Ryons & Co. | 623 South Hope St., Los Angeles 17, Calif. | 0.25 |
| Carl M. Loeb, Rhoades & Co. | 42 Wall Street, New York 5, N. Y. | 1.00 |
| Irving Lundborg & Co. | 310 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Laurence M. Marks & Co. | 48 Wall St., New York 5, N. Y. | 0.80 |
| Mason-Hagan, Inc. | 1110 E. Main Street, Richmond 10, Va. | 0.25 |
| A. E. Masten & Co. | First National Bank Bldg., Pittsburgh 22, Pa. | 0.35 |
| McCormick & Co. | 231 South La Salle Street, Chicago 4, Ill. | 0.40 |
| McDonald & Company | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| McKelvy & Company | Union Trust Building, Pittsburgh 19, Pa. | 0.25 |
| Merrill Lynch, Pierce, Fenner & Smith | 70 Pine Street, New York 5, N. Y. | 1.65 |
| Merrill, Turben & Co., Inc. | Union Commerce Bldg., Cleveland 14, Ohio | 0.40 |
| The Milwaukee Company | 207 East Michigan Street, Milwaukee 2, Wis. | 0.40 |
| Moore, Leonard & Lynch | 1003 Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| Morgan Stanley & Co. | 2 Wall Street, New York 5, N. Y. | 2.80 |
| F. S. Moseley & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |

| | Percentage of Unsubscribed Debentures |
|---|---|
| C. | 0.25% |
| | 0.40 |
| | 0.35 |
| | 1.65 |
| | 1.65 |
| | 0.35 |
| | 0.35 |
| | 1.00 |
| | 0.35 |
| | 0.35 |
| | 0.40 |
| | 1.00 |
| | 1.00 |
| | 0.25 |
| | 1.65 |
| a. | 0.25 |
| | 0.40 |
| | 1.00 |
| | 0.40 |
| | 0.25 |
| | 0.35 |
| | 0.25 |
| | 0.25 |
| | 1.65 |
| | 0.25 |
| | 2.80 |
| | 1.00 |
| | 0.80 |
| | 1.65 |
| | 1.00 |
| | 1.65 |
| alif. | 0.25 |
| | 1.00 |
| alif. | 0.35 |
| | 0.80 |
| | 0.25 |
| Pa. | 0.35 |
| | 0.40 |
| Ohio | 0.40 |
| . | 0.25 |
| | 1.65 |
| Ohio | 0.40 |
| Wis. | 0.40 |
| . Pa. | 0.35 |
| | 2.80 |
| | 1.00 |

| Name | Address | Percentage of Unsubscribed Debentures |
|---|---|---|
| W. H. Newbold's Son & Co. | 1517 Locust Street, Philadelphia 2, Pa. | 0.35% |
| Newhard, Cook & Co. | 400 Olive Street, St. Louis 2, Mo. | 0.40 |
| The Ohio Company | 51 North High Street, Columbus 15, Ohio | 0.40 |
| Pacific Northwest Company | 402 Exchange Building, Seattle 4, Wash. | 0.80 |
| Paine, Webber, Jackson & Curtis | 25 Broad Street, New York 4, N. Y. | 1.00 |
| Piper, Jaffray & Hopwood | 115 South Seventh Street, Minneapolis 2, Minn. | 0.40 |
| R. W. Pressprich & Co. | 48 Wall Street, New York 5, N. Y. | 1.00 |
| Putnam & Co. | 6 Central Row, Hartford 4, Conn. | 0.80 |
| Reinholdt & Gardner | 400 Locust Street, St. Louis 2, Mo. | 0.40 |
| Reynolds & Co. | 120 Broadway, New York 5, N. Y. | 1.00 |
| Riter & Co. | 40 Wall Street, New York 5, N. Y. | 0.40 |
| The Robinson-Humphrey Company, Inc. | 2000 Rhodes-Haverty Building, Atlanta 3, Ga. | 0.40 |
| Rotan, Mosle & Co. | 1510 Bank of Southwest Building,<br>Houston 2, Texas | 0.35 |
| Salomon Bros. & Hutzler | 60 Wall Street, New York 5, N. Y. | 1.00 |
| Schwabacher & Co. | 100 Montgomery St., San Francisco 4, Calif. | 0.40 |
| Shearson, Hammill & Co. | 14 Wall St., New York 5, N. Y. | 0.40 |
| Shields & Company | 44 Wall Street, New York 5, N. Y. | 0.80 |
| Shuman, Agnew & Co. | 155 Sansome Street, San Francisco 4, Calif. | 0.35 |
| Singer, Deane & Scribner | Union Trust Building, Pittsburgh 19, Pa. | 0.35 |
| The Small-Milburn Company, Incorporated | 121 North Market Street, Wichita 2, Kansas | 0.25 |
| Smith, Barney & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| F. S. Smithers & Co. | 1 Wall Street, New York 5, N. Y. | 0.40 |
| William R. Staats & Co. | 640 South Spring Street, Los Angeles 14, Calif. | 0.40 |
| Stern, Frank, Meyer & Fox | Union Bank Building, Los Angeles 14, Calif. | 0.25 |
| Stix & Co. | 509 Olive Street, St. Louis 1, Mo. | 0.25 |
| Stone & Webster Securities Corporation | 90 Broad Street, New York 4, N. Y. | 1.65 |
| Stroud & Company Incorporated | 123 South Broad Street, Philadelphia 9, Pa. | 0.40 |
| Spencer Trask & Co. | 25 Broad Street, New York 4, N. Y. | 0.80 |
| Tucker, Anthony & R. L. Day | 120 Broadway, New York 5, N. Y. | 0.80 |
| Underwood, Neuhaus & Co., Incorporated | 724 Travis St., Houston 2, Texas | 0.25 |
| Victor, Common, Dann & Co. | Ellicott Square Building, Buffalo 3, N. Y. | 0.25 |
| Wagenseller & Durst, Inc. | 626 South Spring Street, Los Angeles 14, Calif. | 0.25 |
| G. H. Walker & Co. | One Wall Street, New York 5, N. Y. | 0.80 |
| Joseph Walker & Sons | 120 Broadway, New York 5, N. Y. | 0.25 |
| Walston & Co., Inc. | 74 Wall Street, New York 5, N. Y. | 0.40 |
| White, Weld & Co. | 20 Broad Street, New York 5, N. Y. | 1.65 |
| Dean Witter & Co. | 45 Montgomery Street, San Francisco 6, Calif. | 1.65 |
| Wood, Struthers & Co. | 30 Wall Street, New York 5, N. Y. | 1.00 |
| | Total | 100.00% |

Harriman Ripley & Co., Incorporated and Blyth & Co., Inc., as representatives of the several Underwriters, have agreed that in the event the principal amount of Unsubscribed Debentures shall be less than $3,059,800 they will use their best efforts to sell such Debentures for the accounts of the several Underwriters at a price above the Subscription Price, and that as to whatever such Debentures are sold by August 15, 1958, they will remit to the Company either (a) if there shall be not more than $918,000 principal amount of Unsubscribed Debentures, any excess over the Subscription Price realized on such sales, or (b) if the principal amount of Unsubscribed Debentures shall be more than $918,000 but less than $3,059,800, the greater of (i) 50% of any such excess or (ii) 9,180 (the number of $100 units in $918,000 principal amount of Debentures) multiplied by the average excess per $100 principal amount of Unsubscribed Debentures over the Subscription Price realized on the aggregate of such sales. The excess in any case is to be computed after deducting any selling concessions to dealers, brokerage commissions, transfer taxes and expenses incident to such sales. Any Unsubscribed Debentures not sold by August 15, 1956 shall be included in the computation as if sold at the last sales price of the Debentures on the New York Stock Exchange (or if not then listed on such Exchange at the closing bid price in the over-the-counter market) on such date, or if there has been no sale on such day on such Exchange, at the closing bid price on such Exchange on such day.

The Underwriting Agreement provides that the several obligations of the Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The Underwriting Agreement may be terminated by the Underwriters if at any time prior to the delivery of the Unsubscribed Debentures trading in securities on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange or any new restrictions on transactions in securities materially affecting the free market for securities shall have been established.

In connection with the sale of Convertible Subordinated Debentures by Underwriters, concessions may be allowed to certain dealers, including Underwriters, of not in excess of 1.50% and reallowances may be allowed to other dealers of not in excess of 0.25%.

## LEGAL OPINIONS

Legal matters in connection with the issuance of the Senior Debentures, the Convertible Subordinated Debentures and the Capital Stock issuable upon conversion of the Convertible Subordinated Debentures will be passed upon by Holman, Mickelwait, Marion, Black & Perkins, 1006 Hoge Building, Seattle 4, Washington, for the Company, and by Davis Polk Wardwell Sunderland & Kiendl, 15 Broad Street, New York 5, New York, for the Underwriters.

## EXPERTS

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in this Prospectus and in the Summary Prospectus under the heading "Summary of Net Earnings and Retained Earnings" insofar as they relate to the years 1946 through 1957 have been reviewed by Touche, Niven, Bailey & Smart, independent certified public accountants, and have been included herein and in the Summary Prospectus and in the Registration Statement in reliance upon the opinions of said firm set forth in its reports contained in this Prospectus and in the Registration Statement and upon the authority of said firm as experts in auditing and accounting.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
July 14, 1958
as of
June 23, 1958

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
July 14, 1958
as of
June 23, 1958

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note A, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also reviewed the information for the ten years ended December 31, 1957 included in the tabulation set forth herein and in the Summary Prospectus (Exhibit 14 to the Registration Statement) under "Summary of Net Earnings and Retained Earnings". The information for such ten years has been prepared from financial statements previously examined by us. Our examination of the financial statements for the seven years ended December 31, 1954 was similar in scope to that indicated herein for the three years ended December 31, 1957. In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1954 for which no provision has been made in the accounts for the reasons set forth in Note 1, the tabulation presents fairly the information contained therein for the ten years ended December 31, 1957, in conformity with generally accepted accounting principles applied on a consistent basis except with respect to the change in the policy of accruing fees referred to in Note 2 to such tabulation, which change we approve.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Seattle, Washington
July 14, 1958
as of
June 23, 1958

# BOEING AIRPLANE COMPANY

## BALANCE SHEET

## December 31, 1957

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | | $ 45,147,394 |
| Trade accounts receivable— | | |
| United States | $ 17,370,107 | |
| Other | 3,682,047 | 21,052,154 |
| Other accounts receivable | | 279,786 |
| Estimated balances receivable from the United States— | | |
| For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees | $113,056,099 | |
| For deliveries under contracts for which unit prices have not been established or revised | 51,258,608 | 164,314,707 |
| Accumulated charges on fixed-price type contracts less estimated cost (average total contract basis) of deliveries (Note D) | $654,218,996 | |
| Less advances and progress payments received and accrued | 492,629,759 | 161,589,237 |
| Inventories of parts and materials at the lower of average cost or market | | 14,482,918 |
| Prepaid expenses | | 2,259,755 |
| Total Current Assets | | $409,125,951 |
| **Property, Plant, and Equipment, at cost (Note B):** | | |
| Land ($3,689,331) and buildings | $ 82,662,987 | |
| Machinery, tools, and equipment | 46,150,175 | |
| | $128,813,162 | |
| Less allowance for accumulated depreciation and amortization | 46,910,402 | 81,902,760 |
| | | $491,028,711 |

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Notes payable to banks | | $110,000,000 |
| Accounts payable— | | |
| Trade accounts | $109,750,621 | |
| Other | 541,780 | 110,292,401 |
| Salaries and wages | | 40,797,421 |
| Payroll, property, and excise taxes | | 5,562,012 |
| Incentive compensation for officers and employees | | 3,995,000 |
| Payable to Trustee under retirement plan (Note C) | | 3,702,162 |
| Allowance for 1954 renegotiation, net of taxes (Note A) | | 4,637,956 |
| Federal and state taxes on income | | 33,140,811 |
| Total Current Liabilities | | $312,127,763 |
| **Stockholders' Investment:** | | |
| Capital stock, par value $5 a share— | | |
| Authorized—10,000,000 shares | | |
| Issued and outstanding—6,953,583 shares at stated value (Note E) | $ 94,834,035 | |
| Retained earnings (after transfer to the capital stock account of $78,640,468) (Notes A and F) | 84,066,913 | 178,900,948 |
| **Contingent Liabilities** (Notes A and C) | | |
| | | $491,028,711 |

See notes to financial statements.

# BOEING AIRPLANE COMPANY

## STATEMENT OF NET EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Sales (Notes A and D) | $853,827,722 | $1,006,356,748 | $1,596,508,515 |
| Other income | 776,542 | 1,168,142 | 762,052 |
| | $854,604,264 | $1,007,524,890 | $1,597,270,567 |
| Cost of sales, excluding applicable portion of certain items set forth below in the amounts incurred during the year (Note D) | $764,603,371 | $ 905,184,904 | $1,466,056,710 |
| Research and developmental expenses | 8,411,913 | 12,458,306 | 19,646,115 |
| General and administrative expenses | 9,408,434 | 9,855,834 | 13,016,688 |
| Depreciation and amortization (Note B) | 4,925,358 | 6,237,686 | 12,422,205 |
| Incentive compensation for officers and employees | 3,250,000 | 3,866,000 | 3,995,000 |
| Other expenses | 1,292,754 | 2,215,562 | 2,468,743 |
| Interest expense | 71,023 | 571,609 | 2,005,399 |
| | $791,962,853 | $ 940,389,901 | $1,519,610,860 |
| **Earnings Before Taxes on Income (Note A)** | $ 62,641,411 | $ 67,134,989 | $ 77,659,707 |
| Federal and state taxes on income: | | | |
| Federal normal income tax and surtax | $ 31,950,000 | $ 34,750,000 | $ 39,090,000 |
| State income taxes | 300,000 | 250,000 | 410,000 |
| | $ 32,250,000 | $ 35,000,000 | $ 39,500,000 |
| **Net Earnings (Note A)** | $ 30,391,411 | $ 32,134,989 | $ 38,159,707 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31, | | |
|---|---|---|---|
| | 1955 | 1956 | 1957 |
| Balance at January 1 (Note A) | $ 40,998,806 | $ 60,810,877 | $ 61,547,911 |
| Net earnings for the year (Note A) | 30,391,411 | 32,134,989 | 38,159,707 |
| | $ 71,390,217 | $ 92,945,866 | $ 99,707,618 |
| Cash dividends paid | $ 10,579,340 | $ 8,162,577 | $ 6,681,281 |
| Amount transferred to the capital stock account by the Board of Directors: | | | |
| Two-for-one stock split | — | 16,339,924 | — |
| Stock dividends (2%—1956, 4%—1957) equal to the market value on declaration dates adjusted for the stock dividend | — | 6,895,454 | 8,959,424 |
| | $ 10,579,340 | $ 31,397,955 | $ 15,640,705 |
| Balance at December 31 (Notes A and F) | $ 60,810,877 | $ 61,547,911 | $ 84,066,913 |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**Note A—Renegotiation:**

See Note 1 to "Summary of Net Earnings and Retained Earnings".

**Note B—Property, Plant, and Equipment:**

Included in property, plant, and equipment at December 31, 1957 are fully amortized facilities and fully depreciated assets in the amount of $17,484,695, which facilities were largely in use.

Depreciation is computed on cost. The "straight-line" method is used for all assets acquired prior to January 1, 1954. Substantially all assets acquired subsequent to that date are depreciated under the "sum-of-the-years-digits" method. The rates employed are such as will accumulate depreciation equal to cost over the estimated useful lives of the assets. The asset lives used for depreciation computations are as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and building equipment | 10 to 40 years |
| Factory machinery | 9 to 15 years |
| Shop equipment and tools | 3⅓ to 8 years |
| Other equipment | 1½ to 12½ years |

Amortization of leasehold improvements is based on the shorter of the physical life of the improvements or the period of the lease.

The Company has obtained Certificates of Necessity from the United States Government covering certain facilities acquired during the present emergency period. The certified portion of such facilities is being amortized over sixty-month periods for both accounting and tax purposes.

Maintenance and repairs are charged directly to costs or expenses as incurred. Equipment of only nominal value and renewals and betterments that do not appreciably extend the life of the asset are charged directly to costs or expenses.

Fully depreciated or fully amortized assets which are no longer on hand or are not identifiable are written off by charges to the allowance for accumulated depreciation and amortization. Amounts received on the disposal of fully depreciated or fully amortized assets are taken into income and the costs of such assets and related allowances for accumulated depreciation and amortization are removed from the accounts. When assets which are not fully depreciated are retired or disposed of, the costs of such assets are removed from the accounts and the related allowances for accumulated depreciation are adjusted for the difference between the asset balance and the amount received or salvage value, no profit or loss being recorded. When facilities acquired during the present emergency period with respect to which Certificates of Necessity have been obtained are retired or disposed of, the costs of such facilities and the related accumulated depreciation and amortization are removed from the accounts and the resulting profit or loss is included in the statement of net earnings.

**Note C—Retirement Plan:**

Effective as of January 1, 1955 the Company adopted a non-contributory retirement plan covering all employees who have met the eligibility requirements. The plan is administered by a Retirement Committee appointed by the Board of Directors. Contributions are made by the Company to trustees who shall hold, invest, and distribute the assets of the trust as required by the plan.

The plan provides for normal retirement at age 65 with provision for retirement either earlier or later than normal. Benefits at normal retirement are based on credited service rendered after the attainment of age 30 and completion of three years of service. Basic benefits are based on credited service. Supplemental benefits are related to the monthly earnings of the employee. A portion of the supplemental benefits of the plan will be variable and related to the earnings of the applicable fund and the mortality experience of the group eligible to receive supplemental benefits. The maximum annual pension under the plan is $30,000.

The following charges were made in the accounts to record Company contributions for the three years ended December 31, 1957:

| | Current Service | Past Service | Total |
|---|---|---|---|
| Year ended December 31, 1955 | $ 6,703,518 | $1,635,487 | $ 8,339,005 |
| Year ended December 31, 1956 | 8,377,844 | 1,635,487 | 10,013,331 |
| Year ended December 31, 1957 | 10,066,505 | 1,635,487 | 11,701,992 |

The Company intends to make contributions to the trust for past service costs and interest on the unfunded balances over a period of approximately twelve years commencing with the year 1955. At December 31, 1957 the past service liability not recognized in the accounts was estimated at $12,800,000.

**Note D—Inventories:**

Accumulated charges at December 31, 1957 included amounts relating to items to which the United States Government held title by reason of contract provisions.

Inventories and accumulated charges on fixed-price type contracts used in the computation of cost of sales shown on the statement of net earnings are as follows:

| | |
|---|---|
| January 1, 1955 | $350,897,520 |
| December 31, 1955 | 531,275,580 |
| December 31, 1956 | 663,278,820 |
| December 31, 1957 | 668,701,914 |

Sales are recorded under all fixed-price type contracts at the time completed units are delivered. In determining the amounts at which sales under contracts containing price revision provisions are recorded, consideration is given to the estimated adjustments, if any, that may result at the time final contract prices are negotiated. Under cost-plus-a-fixed-fee and incentive-fee contracts, sales include costs considered reimbursable together with allowable fees.

Cost of sales under all fixed-price type contracts is computed on the basis of the estimated cost (average total contract basis) of deliveries, such estimates being revised periodically so that they approach actual average costs as the contracts progress to completion. Under cost-plus-a-fixed-fee and incentive-fee contracts, cost of sales includes applicable expenditures made or accrued.

**Note E—Capital Stock Account and Stock Option Plan:**

Changes in the capital stock account during the three years ended December 31, 1957 were as follows:

| | Shares | Amount |
|---|---|---|
| Balance at January 1, 1955 | 3,246,436¾ | $60,000,000 |
| Shares issued to officers and employees at market value under the Incentive Compensation Plan— | | |
| 1955 | 11,689 | 968,732 |
| 1956 | 9,859 | 739,425 |
| 1957 | 19,448 | 931,076 |
| Shares issued in 1956 to effect a two-for-one stock split and amount transferred to the capital stock account by the Board of Directors | 3,267,984¾ | 16,339,924 |
| Shares issued as stock dividends and amounts transferred to the capital stock account by the Board of Directors, equal to the market value on declaration dates adjusted for the stock dividend— | | |
| 1956 | 130,720 | 6,895,454 |
| 1957 | 267,445½ | 8,959,424 |
| Balance at December 31, 1957 | 6,953,583 | $94,834,035 |

Stockholders adopted a Stock Option Plan May 6, 1958. For information regarding this Plan reference is made to the heading "Remuneration of Directors and Officers" in this Prospectus.

**Note F—Dividend Restrictions:**

For information regarding limitations on the declaration of dividends and certain other distributions, reference is made to the descriptions of the Convertible Subordinated Debentures and of the Sinking Fund Debentures in this Prospectus.

**Note G—Supplementary Profit and Loss Information:**

The amounts of certain expenses incurred during the three years ended December 31, 1957 are tabulated below. All items included in this tabulation were either included in overhead expenses, substantially all of which were distributed to contracts, or were charged to contracts directly except that a portion of amortization in excess of normal depreciation was charged directly to income as follows: 1955, $1,037,691; 1956, $1,176,667; 1957, $1,686,352.

| Item | Year ended December 31, 1955 | 1956 | 1957 |
|---|---|---|---|
| Maintenance and repairs | $19,460,361 | $20,917,108 | $20,551,774 |
| Depreciation and amortization of property, plant, and equipment | 4,925,358 | 6,237,606 | 12,422,205 |
| Taxes, other than income taxes: | | | |
| Payroll taxes | 9,739,011 | 11,445,524 | 16,369,938 |
| Sales and business taxes | 2,218,726 | 3,407,296 | 5,138,519 |
| Real estate and personal property taxes | 1,155,638 | 1,150,242 | 1,863,557 |
| State franchise and miscellaneous taxes | 16,759 | 28,760 | 25,971 |
| Rents: | | | |
| Equipment (principally data-processing machines) | 1,405,066 | 1,999,288 | 5,514,119 |
| Ground, buildings, and miscellaneous | 1,254,999 | 1,534,992 | 2,238,928 |
| Royalties | 77,857 | 45,798 | 136,771 |

There are no material amounts to which the Company is committed under leases having terms in excess of three years.

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**THE WARRANTS REFERRED TO HEREIN EVIDENCE RIGHTS TO SUBSCRIBE FOR CONVERTIBLE SUBORDINATED DEBENTURES OF THE COMPANY. SUCH WARRANTS WILL EXPIRE AND BECOME VOID AT 3:30 P.M., EASTERN DAYLIGHT SAVING TIME, ON JULY 29, 1958. YOU SHOULD GIVE THIS MATTER YOUR PROMPT ATTENTION.**

**BOEING AIRPLANE COMPANY**
**SEATTLE 24, WASHINGTON**

July 15, 1958

*To the Holders of Capital Stock of*
BOEING AIRPLANE COMPANY with A.P.O. or F.P.O. registered addresses or with registered addresses outside the continental United States and Canada:

The Company is offering to its stockholders the right to subscribe for its Convertible Subordinated Debentures, due July 1, 1980, at the rate of $100 principal amount of Debentures for each 23 shares of Capital Stock held of record at the close of business on July 15, 1958. The Registration Statement with respect to this offering of Convertible Subordinated Debentures, referred to in the letter to stockholders of June 25, 1958, has become effective. The offering is being made by and upon the information contained in the enclosed Prospectus, which should be read prior to any subscription.

The Subscription Price is $100 for each $100 principal amount of Convertible Subordinated Debentures, and, for each $100 principal amount of Convertible Subordinated Debentures to be subscribed for, stockholders will need to have 23 Rights. Warrants evidencing Rights to subscribe are exercisable only by delivery thereof in New York City. In order to eliminate the possible delay in transmitting Warrants to New York City, Warrants are not being mailed to you or to other stockholders with A.P.O. or F.P.O. registered addresses or with registered addresses outside the continental United States and Canada, but will be held for your account by the Subscription Agent (City Bank Farmers Trust Company, Corporate Trust Division, 2 Wall Street, New York 15, N. Y.), until 12 o'clock noon, Eastern Daylight Saving Time, on July 28, 1958. You should instruct the Subscription Agent as to the exercise, sale or other disposition of your Warrant before 12 o'clock noon, Eastern Daylight Saving Time, July 28, 1958. If instructions from you are not received by the Subscription Agent prior to that time, your Warrant will be sold, if feasible, and the net proceeds of the sale will be remitted to you to the extent permitted by applicable laws and regulations or will be held for your account.

The Company has made arrangements with the Subscription Agent so that, subject to the ability of the Subscription Agent to find a purchaser or seller, a Warrant holder may sell through the Subscription Agent all the Rights evidenced by a Warrant, or, when forwarding his Warrant for exercise, may place an order to buy sufficient Rights (less than 23 in any one subscription) to permit rounding out such holder's Rights to a multiple of 23, or to sell any Rights not required for a subscription. This service will be performed by the Subscription Agent, as agent for the Warrant holders, without service charge to you. However, for the purchase of Rights, you will receive a bill for the cost of Rights purchased, to be paid before the Convertible Subordinated Debentures subscribed for are delivered; and for the sale of Rights, you will receive a check for the proceeds of Rights sold. The Subscription Agent may offset orders for the buying and selling of Rights at prices determined on the basis of actual purchases and sales.

If you desire to exercise your rights, or to purchase additional rights through the Subscription Agent, you should arrange to have a bank, broker or other representative give appropriate instructions and make the appropriate payment, in United States dollars, for your account to the Subscription Agent.

In our letter to stockholders dated June 25, 1958 it was stated that the Company was also filing on that date a Registration Statement covering a proposed issue of $60,000,000 aggregate principal amount of Sinking Fund Debentures to be offered to the public under a separate prospectus. As is indicated in the accompanying Prospectus, the Company has decided to reduce the aggregate amount of that issue to $40,000,000.

WILLIAM M. ALLEN,
*President*

City Bank Farmers Trust Company
CHARTERED 1822
TRUST AFFILIATE OF
THE FIRST NATIONAL CITY BANK OF NEW YORK

CORPORATE TRUST DIVISION
CABLE ADDRESS, FARMTRUST

Two Wall Street, New York 15, N.Y.

July 15, 1958

IN REPLYING PLEASE QUOTE

To the Holders of Common Stock of
United Aircraft & Transport Corporation
Entitled to Shares of Capital Stock of
Boeing Airplane Company:

Enclosed is a copy of a letter and Prospectus received this date by this Bank relating to the proposed issue by Boeing Airplane Company of its Convertible Subordinated Debentures being offered to its present stockholders.

Since this Bank, as nominee, holds the shares of Capital Stock of Boeing Airplane Company to which you are entitled in exchange for your shares of Common Stock of United Aircraft & Transport Corporation, and since you have not communicated with us with reference to such exchange, Warrants are not being mailed to you but will be held for your account by us, as Subscription Agent, at the above address until 12:00 o'clock noon Eastern Daylight Saving Time on July 28, 1958.

If you wish to exercise the Warrants issued to us with respect to the shares of Capital Stock of Boeing Airplane Company to which you are entitled, you must deliver your certificates for Common Stock of United Aircraft & Transport Corporation to this Bank and instruct this Bank, as Subscription Agent, as to the exercise, sale or other disposition of your Warrants before 12:00 o'clock noon Eastern Daylight Saving Time on July 28, 1958. If instructions from you are not received by us, as Subscription Agent, prior to that time, your Warrants will be sold, if feasible, and the net proceeds of the sale will be held for your account.

Very truly yours,

Assistant Secretary

The Chase Manhattan Bank

TRUST DEPARTMENT
40 WALL STREET
NEW YORK 15, N.Y.

New York

March 10, 1960

IN REPLYING PLEASE REFER TO
4-682-JAP

Mr. Orville E. Melby, Assistant Treasurer
Boeing Airplane Company
P. O. Box 3707
Seattle 24, Washington

Dear Mr. Melby:

Boeing Airplane Company
Indenture dated July 1, 1958

Pursuant to the provisions of Section 8.01 of Article Eight of the above Indenture, your Company covenants that it will furnish the Trustee, between March 15 and March 31 in each year, a list containing all information in the possession or control of the Company, or any of its paying agents other than the Trustee, as to the names and addresses of the holders of Debentures obtained since the date as of which the next previous list, if any, was furnished. This list need not include such information in our possession as debenture registrar.

Unless we are advised by you to the contrary we will assume that the Company has no such information to furnish us at this time.

Yours very truly,

Henry R. Thiesing
Corporate Trust Officer

eca

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Boeing Airplane Company
Conversion Rate
12/31/58

| | Shares Outstanding | Consideration Received | Conversion Rate Calculation |
|---|---|---|---|
| Basic Data per Indenture | 7,037,447 | $351,872,350 | |
| 4% Stock Dividend 11/4/58<br>(4% on 7,038,407 shares @ $54.75) | 281,537 | 15,414,151 | |
| | 7,318,984 | $367,286,501 | $731,878,400 / 367,286,501 = 1.9927 |

Memo.

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1-9500-9-34

March 25, 1959

To: J. O. Yeasting
E. M. Nelsen

Subject: Bond Indenture Restrictions as of December 31, 1958

The following calculations relating to the restrictive covenants of the Bond Indentures are furnished for your information. These calculations are based on year-end financial information.

A. Aggregate amount available for payment of cash dividends or retirement of the Convertible Debentures:

| | |
|---|---|
| Basic Allowance | $ 10,000,000 |
| Net Earnings 1/1/58 - 12/31/58 | 26,610,013 |
| Proceeds from issue of stock for incentive awards | 3,050,553 |
| | $ 39,660,566 |
| Less cash dividends paid during period 1/1/58 - 12/31/58 | 7,016,727 |
| Aggregate amount available | $ 32,643,839 |

B. Stock Dividend and Conversion Rate.

The 4% stock dividend issued in December, 1958 did not change the original conversion rate of 2 shares per $100 principal amount of debentures. Under the provisions of the Indenture, the 4% stock dividend is classified as a Limited Stock Dividend and as such it added 281,537 shares and $15,414,151 additional consideration to the conversion rate formula. Because of this, the formula results in a calculated rate of 1.9927 shares per $100 of principal amount of debentures, but the Indenture does not allow the rate to be reduced below 2.00 shares per $100.

A Limited Stock Dividend may be classified as such only to the extent that it is earned. The following amount is available for an additional Limited Stock Dividend:

| | |
|---|---|
| Net Earnings 1/1/58 - 12/31/58 | $ 26,610,013 |
| Less: Cash Dividends 1/1/58 - 12/31/58 | 7,016,727 |
| 4% Stock Dividend 12/58 | 15,414,151 |
| | $ 4,179,135 |

This amount together with 1959 earnings would then be available for cash and stock dividends within the coming year.

(3)

C. Additional Funded Debt Allowable:

| | |
|---|---|
| 1. Under 5% Sinking Fund Indenture | $ 91,650,000 (a) |
| 2. Under 4½% Subordinated Indenture | 89,325,000 (b) |

(a) Limitation applies to additional senior indebtedness only.
(b) Limitation applies to all additional funded debt except funded debt subordinated to the 4½% Debentures.

D. Limitation on Rentals:

The annual rentals on leases of restricted property at the present time is as follows:

| Description | Annual Rental |
|---|---|
| Boeing Field leases | $ 129,400 |
| Renton Airport | 29,400 |
| Developmental Center Yard and Parking | 28,300 |
| Witter Hangar, Renton Field | 4,400 |
| Fourth & James Property | 20,000 |
| | $ 211,500 |

Maximum annual amount allowable under the Indenture is $400,000. Amounts in excess of $400,000 shall be added as capitalized rent in calculating total funded debt allowable.

E. As of February 28, 1959, $52,100 principal amount of Convertible Subordinated Debentures had been converted into 1,042 shares of Capital Stock.

Orville E. Melby

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1-9500-9-117

December 17, 1959

To: J. O. Yeasting
E. M. Nelson
H. W. Haynes

Subject: Bond Indenture Restrictions

The following calculations relating to the restrictive covenants of the Bond Indentures are furnished for your information.

A. Aggregate amount available for payment of cash dividends or retirement of the Convertible Debentures:

| | | |
|---|---|---|
| Basic Allowance | | $ 10,000,000 |
| Net Earnings 1/1/58 - 12/31/58 | $ 29,360,013 | |
| 1/1/59 - 10/31/59 | 9,446,941 | |
| | $ 38,806,954 | |
| Less Allowance for 1955 Renegotiation Charged in 1958 & 1959 | 3,129,894 | 35,677,060 |
| Proceeds from issue of stock for Incentive Awards - 1958 | $ 3,050,553 | |
| 1959 | 2,189,036 | 5,239,589 |
| | | $ 50,916,649 |
| Less Cash Dividends Paid 1/1/58 - 12/31/58 | $ 7,016,727 | |
| 1/1/59 - 12/10/59 | 7,360,826 | 14,377,553 |
| Aggregate Amount Available | | $ 36,539,096 |

B. Stock Dividend and Conversion Rate.

The only activity thus far which would effect the conversion rate has been the Limited Stock Dividends of 1958 and 1959.

As of the Board of Directors Meeting on November 2, 1959, the amount available for the 1959 Limited Stock Dividend was as follows:

| | | |
|---|---|---|
| Net Earnings - 1/1/58 - 12/31/58 | $ 29,360,013 | |
| 1/1/59 - 10/31/59 | 9,446,941 | |
| | $ 38,806,954 | |
| Less Allowance for 1955 Renegotiation Charged in 1958 & 1959 | 3,129,894 | $ 35,677,060 |
| Less Cash Dividends - 1958 | $ 7,016,727 | |
| 1959 | 7,360,826 | 14,377,553 |
| Less Limited Stock Dividend 1958 | | 16,012,417 |
| Available for 1959 Limited Stock Dividend | | $ 5,287,090 |

The conversion rate calculation to date is as follows:

| | Shares Outstanding | Consideration Received | Conversion Rate |
|---|---|---|---|
| Basic Data Per Indenture | $ 7,037,447 | $ 351,872,350 | 2.00 Shares per $100 |
| 4% Stock Dividend November 4, 1958 | 281,537 | 16,012,417 | |
| | $ 7,318,984 | $ 367,884,767 | 1.9895 Shares per $100 |
| 2% Stock Dividend November 2, 1959 | 147,489 | 4,479,979 | |
| | $ 7,466,473 | $ 372,364,746 | 2.0052 Shares per $100 |

Per the Indenture, it is not necessary to adjust the conversion rate unless it would increase the rate by at least one-twentieth of a share.

C. Additional Funded Debt Allowable.

| | | |
|---|---|---|
| 1. | Under 5% Sinking Fund Indenture | $ 94,200,000 (a) |
| 2. | Under 4½% Convertible Subordinated Indenture | 92,900,000 (b) |

(a) Limitation applies to additional senior indebtedness only.
(b) Limitation applies to all additional funded debt except that which is subordinated to the 4½% Debentures.

D. Limitation on Rentals.

The total annual rentals of restricted property as covered in the Indenture is $235,000. The maximum amount allowable under the Indenture is $400,000. Any additional rentals above this amount would have to be capitalized as additional funded indebtedness.

E. As of October 31, 1959, $52,600 principal amount of Convertible Subordinated Debentures had been converted into 1,052 shares of Capital Stock.

O. E. Meloy

275. [illegible] Company
Conversion Rate

X

| | Shares Outstanding | Conversion Price | Conversion Ratio Calculation | |
|---|---|---|---|---|
| Issuance Date per Indenture | 7037447 | $351 2250 | | |
| 4% Stock Dividend 11/4/58<br>(4% on 7,038,447 [illegible] at $56.875) | 281537 | 16[illegible]2,417 | | |
| | 7318784 | $367884707 | $731,878,400 / 367,884,767 | = 1.9895 |
| 2% Stock Dividend 11/2/59<br>(2% on 7,374,412 at $30.375) | 147489 | 4479777 | | |
| | 7466473 | 372364746 | 746,647,300 / 372,364,746 | = 2.0052 |

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LIMITED

Minutes prepared for this meeting but by reason of the nature of the meeting were never submitted for formal approval

Secretary

Memorandum of proceedings of informal meeting of Directors on November 13, 1959, and of discussions with two of the Directors who did not attend the meeting.

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An informal meeting of the Directors was held at the Offices of the Company commencing at 12:30 p.m. on November 13, 1959, to consider the proposed acquisition of Vertol by Boeing. Mr. Allen, by letter to the Directors dated November 12, had transmitted a memorandum to the Directors dated November 11, 1959, signed by Mr. Prince, and in Mr. Allen's memo he had endorsed the recommendations set forth in the November 11 memo.

There were present at the meeting:

William M. Allen
W. E. Beall
Darrah Corbet
C. L. Egtvedt
F. P. Laudan
Paul Pigott
Dietrich Schmitz
E. C. Wells
J. O. Yeasting

Mr. Prince was present in his capacity as Secretary.

Mr. Allen reviewed the matter briefly, discussions and reports on the subject having taken place at the last two meetings of the Board of Directors. He advised that he recommended this course of action principally because our people working on product research and our top engineering people had recommended that the Company should enter the helicopter-V/STOL field and that he believed that the proposed manner was the fastest and cheapest way of accomplishing this; that if we endeavored to follow the other alternate and develop the capability in-house it would probably take substantially longer, perhaps cost more, and it would detract our technical effort from other things that we should be doing. He recognized that in such an acquisition as this many problems would arise that would put a substantial additional load on the top management of the Company, and that if we proceeded, in retrospect the matter would appear from time to time to have been an inadvisable move.

Mr. Allen pointed out that the matter had been given careful consideration by the Management Council and that there were some reservations and differences of opinion. He requested the various members of management to express their views.

Mr. Beall advised that he strongly recommended the acquisition, basically for the reasons pointed out by Mr. Allen, and advised that the Vertol organization appeared to have good technical competence and emphasized that our interest in the acquisition was not based primarily on their existing products but on their capacity in the entire helicopter and V/STOL area, and that the organization was not tied to any one type of solution to this problem.

Mr. Yeasting advised that he thought it was a very marginal matter; that he was generally in favor of the Company getting into this field but that probably, considering all of the factors, he was not in favor of the proposal. He advised that in view of the fact that the other members were favoring the proposal he had paid particular attention to the adverse considerations and would limit his remarks to pointing out the disadvantageous factors and he outlined them as follows:

1. This acqusition will reduce our earnings per share for at least the next two or three years. This would normally adversely affect the price of our stock which would place us in a less favorable position should we wish to make other acquisitions.

2. Even though this acquisition should justify our obtaining a larger line of credit than without it, it is believed that this will weaken our overall financial position because of Vertol's requirement for facilities, research and development expenditures and working capital and will also increase our dividend disbursement because of the increased number of shares outstanding. Our financial position is presently not too strong to support our commercial requirements.

3. This acquisition will reduce the conversion price of our convertible debentures outstanding which will increase the number of shares to be issued if and when the bonds are converted.

4. No consideration has been given to the relative backlog of the two companies. Our current backlog is of much greater magnitude in relation to market price of stock or book value than is that of Vertol.

5. This could adversely affect our relations with United Aircraft Corporation with respect to commercial business because we will then become an active competitor with Sikorsky.

6. The Air Force has long taken the position that Boeing has too large a portion of the total defense budget. This will only accentuate this condition.

7. Vertol products are not of high priority in the overall defense picture. It is believed that missiles, space weapons, etc., will have higher priority than Vertol products. Since the Military will presumably have budget troubles in the future, Military procurement of Vertol products in substantial volume is not promising. In 1957 when the Military budget squeeze was on Vertol contracts were cancelled.

8. This will constitute a drain on Boeing management and it is believed that we can ill afford at this time to divert attention from the operations of our present divisions. We have over $150 million invested in the commercial program and to recover this and remain in the commercial field will require all of the attention that we can possibly give.

Mr. Wells agreed that the questions raised by Mr. Yeasting merited serious consideration and that the short-term prospects of Vertol were certainly not bright, but he thought in the long term the prospects were good. He pointed out that there was a substantial potential, and possibly even the greatest potential in the non-military field, and that definitely it was in our interest to become engaged in the V/STOL field. It was his opinion that the best method of accomplishing this was to acquire an existing company and that Vertol appeared to be the most likely under all of the circumstances. He pointed out that this acquisition afforded the Company some geographical dispersal as well as product diversification in the aircraft field, and that Boeing's acquisition of Vertol would aid them in developing their potential and that the Vertol group would aid other parts of the Boeing organization. He emphasized that the transaction involved some risk but that he was definitely in favor of taking it.

Mr. Laudan pointed out that he had not been involved in the investigation of this matter to the same extent as had the others who had spoken; that he was inclined to not favor the proposal but agreed that the matter was very close. He pointed out that this acquisition would probably increase requirements on the Company for capital and that if we proceeded with the 727 program we might be hardpressed in the financial area.

Mr. Prince stated that his views had been set forth in the memo dated November 11; that the matter was certainly not black and white, but emphasized the fact that this matter had been under study for a substantial period and was based on the recommendations that the Company should be engaged in this general field and that it had been the Company that had initiated the inquiry with Vertol after concluding that they were the most likely prospect for acquisition if the Company desired to follow this course of entering the field.

Mr. Schmitz advised that he was impressed with the adverse reasons outlined by Mr. Yeasting and that, based on his own analysis, he was inclined not to favor the proposal, but that he believed he would be guided by the views of the management. He strongly objected to the part of the proposal which would permit, under certain contingencies, Vertol to declare a small stock dividend and he argued this was not justified unless it was countered with a provision permitting an adjustment of the exchange ratio in Boeing's favor if the market value of the Boeing stock exceeded $33 a share on the date the matter was submitted to the Directors, and he inquired as to whether such a provision as this could not be negotiated.

Mr. Corbet advised that he had first been very skeptical--however, on reviewing the matter further he was impressed with the time required for transport to and from airports as contrasted to flight times, and that he believed that there might well be substantial potential for V/STOL transportation; that with respect to the Military he was concerned because of the concentration of the defense expenditures on the West Coast, that this was developing a political problem, that while this acquisition might, on it's face, appear to offer advantages to Boeing from this standpoint, he was apprehensive that business placed with Vertol might be generally considered as going to the West Coast because the Boeing name was so prominently identified with Seattle. He further mentioned that he would tend to favor product diversification going in the direction of electronics; he advised, however, that he would tend to go along with the management who have investigated the matter, but he considered the question a very close one.

Mr. Egtvedt agreed that there was a potential in this field but pointed out that it would add to the "bigness" problem of Boeing in the defense area. He further raised the question as to whether it would have adverse effects on our relations with United Aircraft in view of the fact that the principal competitor of Vertol was Sikorsky, a division of United Aircraft. He repeated that he did like the idea, however, of getting into this field but it was difficult to make up his mind if he wished to take this step at this time.

Mr. Pigott stated that he was impressed with the recommendations of the majority of management; that he thought we were in the area of trading, and recommended that we proceed, but he likewise recommended that we not accept the provision permitting Vertol to declare a small stock dividend under certain contingencies. He further pointed out that he would much prefer, however, to use cash for the transaction rather than stock of Boeing at the current price which he felt was unduly depressed.

There was general discussion of the possibility of using cash. Mr. Yeasting stated that he believed it would be inadvisable for the Company to advance this amount of cash for the transaction, and it was pointed out that an acquisition for cash would make the transaction a taxable one to Vertol and its stockholders, and that this would undoubtedly make the matter unattractive to them. In the discussion

Mr. Pigott raised the question whether it wouldn't be in the Company's interest to pay a greater amount in cash sufficient to offset, or substantially offset the income tax disadvantages. After considerable discussion it was the consensus not to reopen the negotiations to investigate the possibility of a cash transaction.

Mr. Prince pointed out the background of the provision on the contingent stock dividend; that 20% of the outstanding stock of Vertol had probably been recently acquired, or if not acquired, was subject to commitments of acquisition at the rate of $22 a share, and it had been extremely difficult to reach a tentative agreement with the Vertol management that did not provide the $22 a share equivalent of the Vertol stock; that this 5% stock dividend contingency was a compromise finally offered to reach agreement. He further pointed out that Vertol, since 1953, has followed the course of declaring stock dividends but had never declared a cash dividend; that their management believed, based on this pattern, that they should be entitled to declare such a dividend as it would have been their course independently of these negotiations for the present year, and that they had pointed out that after the discussions had started Boeing had declared a 2% stock dividend.

After discussion, Mr. Schmitz moved that the recommendation of management be approved except that the provision relating to a possible stock dividend by Vertol be disapproved. Mr. Egtvedt seconded the motion. There was substantial additional discussion and Mr. Allen advised that in view of the lack of enthusiasm he believed it would be inadvisable to go ahead with the proposal; that an acquisition of this type was an important matter for the Company; that admittedly it was a close question as to the advisability; that there were differing views among the management and within the Board, and that under these circumstances he thought the Company should not undertake such a venture. Mr. Schmitz and several others disagreed with this, taking the position that this basically involved a matter of appraisal of product areas for Company exploitation, and that the Directors should follow the recommendations of management, directing their questions to the methods of accomplishment, and that if the stock dividend contingency was eliminated he favored proceeding. Others expressed similar views and Mr. Pigott urged that a vote be taken on the motion which was then done and all voted in favor of the motion except Mr. Yeasting, who did not vote.

During the course of the meeting Mr. Allen advised that there had been an attempt to contact the directors who were not present; that Mr. Gates was the only one who had been contacted and he had not yet had an opportunity to read the memo of November 11, but to the extent possible they would be contacted. Mr. Prince, on November 16 and prior to a firm decision to proceed, talked with Mr. Gates and Mr. Schaefer after they had each gone over the memo of November 11 and Mr. Allen's memo of November 12, and they were generally briefed on the proceedings at the meeting on November 13. Both approved going forward with the proposal although both acknowledged that they, likewise, had certain reservations similar to those expressed in the meeting. Mr. Allen and Mr. Prince did not succeed in talking to Mr. Forward, who was in Jamaica, although several attempts to do so were made. Mr. Reed was not contacted as it was understood that he was travelling.

J. E. Prince, Secretary

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November 11, 1959

To: Board of Directors
Boeing Airplane Company

Subject: Vertol Aircraft Corporation

The possible acquisition of the Vertol Aircraft Corporation has been discussed at the last two Board meetings. A brief review of the background of Boeing's interest in Vertol follows:

Early in 1958, the Product Research Office, as a result of analysis, recommended that the company enter the V/STOL air vehicle field. A systematic review of industry activities in V/STOL leading to a series of analyses of individual helicopter companies was accomplished. At the same time, as a result of these recommendations, research in the Aero/Space Division and Wichita Division was initiated.

Vertol was identified as a strong possibility for acquisition with a high potential in the V/STOL area. The initial contact with Vertol representatives was made by Mr. G. S. Schairer and since that time, comprehensive investigations have been conducted and visits have been exchanged by Boeing and Vertol management groups.

Set forth below is a summary of the information compiled during the course of our investigation of Vertol, together with a recommended course of action leading to the possible acquisition of Vertol.

## HISTORY AND CURRENT OPERATIONS

The Vertol Aircraft Company, Morton, Pennsylvania, was incorporated in 1943 as the P-V Engineering Forum, Inc., to exploit the helicopter developments and ideas of Frank Piasecki. In 1946, the name was changed to Piasecki Helicopter Corporation, and early in 1956, the name was again changed to Vertol Aircraft Corporation.

In 1946, Frank Piasecki sold fifty-one per cent of the stock to an investment group including members of the Rockefeller family. Later in 1950, Mr. Piasecki relinquished the presidency, taking over as board chairman. Don R. Berlin, Executive Vice President of McDonnell Aircraft was brought in as President. Mr. Piasecki, in 1955, after an unsuccessful bid to regain control, was ousted as board chairman and subsequently formed a new company, Piasecki Aircraft Corporation. Vertol conducted unsuccessful merger talks with Northrop and Bell in 1956 and 1958, respectively.

There are three wholly owned subsidiaries of Vertol. The largest of these is Allied Research Associates, Inc., of Boston, Mass. This organization, which employs about 250 people, is engaged in research activities for government and industry. A Canadian subsidiary, Vertol Aircraft Company (Canada) Ltd., is principally engaged in overhaul, modification, and field support of Canadian operators of Vertol helicopters. Vertol International Corporation, which currently is inactive, was created to handle license agreements for production in foreign countries.

Vertol has specialized in the development and production of helicopters. Sales have been made to the three U. S. military services, to foreign military services, and to a commercial airline. The company is also a leader in the short and vertical take-off type of aircraft and has an experimental VTOL airplane flying. Vertol currently has approximately 1,700 employees.

The H-21 military helicopter and its commercial version, the Vertol Model 44, have been the principal contributors to Vertol's sales growth. Although both models are still in production, the cancellation of Army orders for the H-21 in 1957, because of a military "budget squeeze", resulted in the downturn of Vertol's sales. The company is now producing the YHC-1 helicopter for the U. S. Army and has recently won a contract for the development and production of the YHC-1B. This contract marks the winning by Vertol of an intensive competition between Vertol, Sikorsky, and Hiller for the development of a troop-carrying helicopter for the Army.

The YHC-1 and YHC-1B are military developments from a company developed and financed prototype, the Model 107. The YHC-1B appears slated to be the standard Army heavy logistics and assault helicopter for a number of years in the future.

The Canadian government is reported to be favoring Vertol in a current competition for a military helicopter. The company has not been as successful at meeting competition for Navy helicopters. On two occasions, Navy helicopter development contracts have been awarded to Vertol competitors.

## OWNERSHIP

Current ownership of the stock of Vertol is strongly influenced by the Rockefeller group. This group, Laurance B. Rockefeller and members of his immediate family, C. D. Dillon, A. F. DuPont, Jr., and senior officers of Vertol and Allied Research Associates hold 45.36 per cent (305,343 shares) of the oustanding stock. The holdings of Rockefeller and his immediate family are reported to constitute 23 per cent of the outstanding stock. The Equity General Corporation controls approximately 20 per cent of the outstanding stock. The remaining stock is widely held. As of August 31, 1959, there were 1,200 stockholders.

## TECHNICAL CAPABILITY

The Vertol and Allied Research Associates research, development, and engineering capabilities were investigated by Mr. Wellwood Beall, Mr. Edward Wells, Mr. George Schairer, and Mr. B. F. Ruffner. These investigations included discussions with engineering personnel and an examination of research facilities.

The opinions of the investigating Boeing personnel can be summed up as follows:

### Vertol Aircraft Corporation

In general the Vertol organization has a technical capability in the VTOL field comparable to that of Boeing in the large jet airplane field. Their standards of technical excellence, safety, reliability, etc., are parallel to those of Boeing.

The engineering organization has developed outstanding capabilities in the area of design of helicopters and V/STOL aircraft based on the experience obtained over 13 or 14 years.

### Allied Research Associates

Allied's organization includes a highly competent group of engineers and scientists whose efforts currently are devoted mainly to applied research under contract with both the Department of Defense and Industry. Specific activities have included work on: design and construction of missiles for measuring high altitude effects in atomic weapons tests, the instrumentation and design for instrumented nose cones, design and construction of high altitude wind measuring missiles for weather research and aerial reconnaissance, techniques for underwater launch of Polaris, new materials for re-entry nose cones, special fuels for contrail elimination, data retrieval and analysis systems for meteorological satellites, and design of special industrial machinery.

## MANAGEMENT

Vertol's top management group appears to function effectively and the morale of the overall management and technical group appears high. Mr. Don Berlin, the President, has reached 61 years of age and a successor may be required at an early date. Although two members of the management team are considered potential general managers, a problem could arise in selecting a qualified successor.

The salaries of certain of Vertol's officers prior to reductions as part of an emergency cost reduction program in January, 1958, were higher than the salaries of Boeing personnel at levels of responsibility which appear to be comparable. Although the reductions eliminated the variance in certain instances, a problem with regard to salary levels still exists.

Labor relations and the current contract with the United Auto Workers are not considered satisfactory by Boeing management. This problem is not, however, considered to be so serious as to influence a decision with regard to possible acquisition.

## MANUFACTURING

With the exception of specialized equipment for manufacturing rotor blade spars, there is no manufacturing capability at Vertol that cannot be duplicated at Boeing. In fact, in most cases, our capabilities are superior to those of Vertol.

Much of Vertol's manufacturing equipment is old and obsolete. More than 60 per cent belongs to the government. In general, manufacturing management appears to be good and the production planning and tool design activities are considered effective. Engineering works well with manufacturing and, in general, designs for production with equipment on hand. It is apparent that considerable improvement, from a cost and production standpoint, has occurred in the design of the new helicopters.

The Vertol manufacturing management indicates new equipment with a cost of $900,000 is required and that this amount will increase as additional studies with regard to requirements are accomplished. The present plant capacity, with substantial subcontracting, is 10 to 15 of each of the two current models per month, plus a limited amount of development effort. Vertol management has suggested that if additional productive capacity is required, it could, in part, be provided by subcontract to other Boeing plants. Manufacturing services appear satisfactory, however, industrial engineering has been virtually eliminated to reduce overhead.

## FINANCIAL

Historical summary of sales, earnings, and backlog

|  | Sales | Earnings (Millions) | % to sales | Backlog |
|---|---|---|---|---|
| 1955 | $57.7 | $1.6 | 2.7% | $125.0 |
| 1956 | 90.0 | 3.4 | 3.8 | 118.0 |
| 1957 | 77.2 | 1.7 | 2.1 | 30.0 |
| 1958 | 40.0 | .9 | 2.2 | 25.0 |

Dividend and stock price information

|  | Stock Dividends(1) | Stock Prices(2) High | Low | Close |
|---|---|---|---|---|
| 1955 | 10% | $35-3/4 | $26 | $32-1/4 |
| 1956 | 15% | 50-1/2 | 27 | 40 |
| 1957 | 10% | 50 | 12-1/4 | 12-1/4 |
| 1958 | 5% | 24 | 12-1/2 | 19 |
| 1959 (Nov.6) | - | 27-3/4 | 16-1/4 | 19-1/4 |

(1) No cash dividend paid
(2) Bid prices unadjusted for stock dividends.
Asking price on 11/6/59 was $21-1/2

Forecasted sales and earnings from operations as proposed by Vertol Aircraft Corporation for 1959 through 1963 follows:

| | Financial Forecast | | Product Planning Forecast |
|---|---|---|---|
| | Sales | Net Earnings | Sales |
| | (Millions) | | |
| 1959 | $36.0 | $ .5 | $36.0 |
| 1960 | 37.0 | (.1) | 37.0 |
| 1961 | 46.0 | 1.3 | 66.0 |
| 1962 | 59.0 | 1.8 | 79.0 |
| 1963 | 71.0 | 1.6 | 87.0 |

With regard to 1960, current financial forecasts indicate sales of approximately $37 million and an operating loss of approximately $100,000, after provision for federal tax credit. This forecast assumes a go-ahead on the Model 107 helicopter, which incorporates a 2100HP engine with approximately $1.7 million of developmental and qualification efforts on such program being expended and charged to earnings in 1960. After recognition of the anticipated settlement of a federal income tax claim for $550,000 and a $350,000 gain on the sale of undeveloped real estate, Vertol's 1960 forecast indicates that approximately $750,000 will be transferred to retained earnings.

A substantial portion of the forecasted sales for the 1960-1963 period is attributed to the military "Chinook" and the 2100 HP version of the Model 107 helicopter. In addition, there is included in the general product (principally sub-contract) area, sales of $4 million in 1961, $9 million in 1962, and $14 million in 1963.

Vertol representatives state that the forecasted sales and earnings figures set forth above are conservative. This contention with regard to sales appears valid in light of the market analysis prepared by Boeing which follows.

### *Market Analysis*

Through 1970 expenditures for military helicopters and V/STOL aircraft at current levels or higher are anticipated. During this same period a substantial increase in domestic and foreign civil demand for these vehicles is forecasted. The combined military-civil expenditures by 1970 are expected to be two and one half times 1959 expenditures. This particular forecast is based on the assumption that V/STOL fixed wing aircraft competitive with current conventional aircraft will not materialize during the decade. However, should possible penetration of V/STOL aircraft into conventional aircraft markets develop, the total expenditures for helicopters and

V/STOL are likely to be more than three times the 1959 expenditure level.

The trend toward larger helicopters and V/STOL vehicles in both the civil and military markets places Vertol in a position to capitalize on this growth. The following table summarizes the favorable and unfavorable estimates of Vertol sales.

**FORECAST OF VERTOL'S SALES**

| Year | Unfavorable | Favorable |
|---|---|---|
| 1959 | $35 million | $35 million |
| 1960 | 37 " | 37 " |
| 1961 | 37 " | 49 " |
| 1962 | 47 " | 91 " |
| 1963 | 67 " | 120 " |
| 1964 | 70 " | 147 " |
| 1965 | 67 " | 147 " |
| 1966 | 61 " | 146 " |
| 1967 | 56 " | 166 " |
| 1968 | 60 " | 197 " |
| 1969 | 78 " | 185 " |
| 1970 | 92 " | 173 " |

Note: Forecasts exclude possible sales of general products; defined by Vertol as all products other than helicopters or related fields, that can be built and/or engineered at Vertol.

The unfavorable conditions assume Vertol winning only 15 per cent of the total helicopter V/STOL market. Sales by 1970, nevertheless will increase two and one half times over 1959.

The favorable conditions assume increased military expenditures for helicopters and V/STOL vehicles with Vertol products regaining their former portion of these expenditures. With sales management and financial support from Boeing, it is believed that this favorable forecast represents a reasonable expectation of probable growth. Under these conditions, sales may increase five times 1959 sales, or 1.7 times Vertol's peak sales year of 1956.

## Financial Condition

The financial condition of Vertol at September 30, 1959, and the projected financial condition at December 31, 1959 and December 31, 1960 is summarized as follows:

| | Sept. 30, 1959 | December 31, 1959 | December 31, 1960 |
|---|---|---|---|
| Current assets | $12.2 Mil. | $11.8 Mil. | $12.3 Mil. |
| Investment in subsidiaries | 1.5 | 1.5 | 1.5 |
| Property, plant and equipment net | 5.7 | 6.1 | 5.4 |
| Total assets | $19.4 | $19.4 | $19.2 |
| Working capital | $ 7.3 | $ 7.1 | $ 8.1 |
| Current ratio | 2.5:1 | 2.5:1 | 3.0:1 |
| Stockholders' investment | $13.8 | $13.9 | $14.2 |
| Book value per share | $20.50 | $20.62 | $21.16 |
| Revolving commercial bank credit agreement | $6,000,000 | | |
| Borrowing position | | $1,000,000 | $2,500,000 |

## Capital Requirements

Discussions with Vertol representatives indicate no current plans for investment in brick and mortar at the Morton, Pennsylvania facility. Forecasted requirements for machinery and equipment approximate between $500,000 to $750,000 per year. It was stated that such amounts would provide the necessary facilitization for production on the "Chinook" and Model 107 programs at the rates forecasted through 1963. It was indicated that if additional capital was available, it could be effectively utilized for research and developmental efforts in the advanced V/STOL field, the ASW field, and on a transport type tilt wing aircraft program. Additional engineering and special test equipment requirements would be generated if this type of research and developmental activity were undertaken.

With regard to financial requirements in connection with Model 107 commercial and foreign production, down payments of 25% are normally required with the balance of the purchase price payable on delivery.

Although Vertol representatives did not indicate specifically the forecasted capital requirements for Allied Research, it is evident that long range plans provide for a substantially increased investment. Such plans include the exercise of the option on all or a portion of the 41 acres of land located adjacent to the Bedford Airport (option price $85,000.00), a building program at a cost of two to three million dollars, and the acquisition of additional engineering test and computing equipment.

## RECOMMENDATIONS

It is recommended that a tentative agreement be entered into with the management of Vertol providing for the acquisition of the assets and assumption of the liabilities of Vertol by Boeing in consideration of the issuance of two shares of Boeing for three shares of Vertol; with the additional proviso that if at the time the formal Plan and Agreement of Reorganization is submitted to our Board of Directors for approval the market value of the Boeing stock does not produce the equivalent of $22 a share for the Vertol stock, Vertol will be permitted to declare a stock dividend of the amount necessary to achieve $22 per share, but not to exceed a 5% stock dividend. It is proposed that the tentative agreement be announced (exclusive of the contingency on the issuance of a stock dividend by Vertol) and that such agreement be conditioned on the successful negotiation of a Plan and Agreement of Reorganization to be approved by the Board of Directors of each company and by the stockholders of Vertol. The shares of Boeing would be issued to Vertol which would then be liquidated and the Boeing shares distributed to the Vertol stockholders. The transaction would not require submission to Boeing stockholders. It would probably require four to six weeks to finalize a Plan and Agreement of Reorganization and it is quite possible that if the transaction was subsequently approved by the stockholders of Vertol the actual acquisition would not occur until three to four months after the Plan and Agreement of Reorganization had been finalized.

At the time of initiation of actual discussions on September 21, 1959, the midpoint between the bid and asked price on Vertol was $19 a share and Boeing was then at $30 a share. Between that date and November 6, the midpoint between the low bid and the high asked price for Vertol is believed to be $20.50 a share. Boeing, during the same period, varied between $29 and $33, developing a midpoint of $31. On November 6 the midpoint between the bid and asked on Vertol was $20-3/8 and Boeing closed at $31-3/4. Thus, a two-for-three ratio is about as even as could be achieved on the basis of recent market. To avoid permitting a small stock dividend by Vertol the price of the Boeing stock would have to be $33 a share or more at the time the matter was formally submitted to the Boeing Board of Directors for approval. If the price at that time was $31-1/2 per share Vertol would be permitted a full 5% stock dividend.

The unadjusted book value of the Boeing stock on September 30, 1959 was $27.99 per share. At the same date the unadjusted book value of the Vertol stock was $20.39. On this basis Vertol would be receiving approximately $1.73 per share discount. While arguments can be made on both sides and opinions differ as to adjustments that could be made to the respective book values, we are of the opinion that the Boeing book value is probably understated more than that of Vertol.

In acquiring Vertol, Boeing would be acquiring an organization with proven helicopter experience and with products which appear to be proven and with a substantial potential. Further, our technical people believe the Vertol organization is one of the leaders in the other areas of the V/STOL field. Our product research people believe both the helicopter and the other areas of V/STOL have substantial growth potential as contrasted to forecasted declines in many of the military aircraft fields. In addition, the Allied Research Associates affords a possible prospect of significant advantage because of the reputation the group has established and their proximity to the Air Force Cambridge Research Center. In recent announcements of the Air Force, the Research Center is to become one of the major Air Force procurement centers of various types of research and development, and for production procurement in many areas, including the electronics field.

The business of Vertol is subject to the same difficulty of accurate sales and earnings forecasts as our own. For instance, their sales and earnings prospects for the next few years will be substantially affected by several important programs such as: the success and rate of procurement of their new Army helicopter, the competition for which they won based on their 107 prototype; whether they are successful in winning the Canadian competition with Sikorsky--present indications are that they appear to have at least an even chance; and the competition they are in with Sikorsky for the sale of passenger helicopters to New York Airways. Vernon Crudge likens the latter situation to the importance of our obtaining the first order for the 707 from Pan American and he indicates Vertol has a slight technical advantage.

It is believed that the acquisition of Vertol by Boeing could significantly aid in achieving the potential of this organization and its product lines. The fact that it was a part of the Boeing organization would place it more nearly on a par with its principal competitor, Sikorsky, which is a division of United Aircraft. Vertol management believes that they are at a considerable disadvantage with Sikorsky due to the standing and size of the United Aircraft Corporation as compared to that of Vertol. Further, it is believed the Boeing top management could be of real assistance in Vertol's important sales programs with the defense agencies and probably to some lesser extent with commercial operators and foreign governments. Beyond these possible advantages there appear to be opportunities for Vertol to obtain assistance from the technical staffs and laboratories in the Boeing divisions. Over the years this could make quite a difference.

It is recognized that this is not a move in the direction of the more sophisticated weapon areas. We believe, however, that in addition to concentrating on our establishing ourselves in the new missile and space area that we should exploit the air-

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craft field to the full extent that it would appear profitable to do so. That is the field that we know best. While the aircraft field may be a diminishing one, it will still remain important, and some areas of it will grow. We believe the helicopter and V/STOL is such an area. There are few enterprises of this type which can be acquired at approximately their book net worth. We think the Vertol situation is an attractive opportunity.

J. E. Prince

SUPPLEMENTAL NOTE

Vertol has 673,093 shares outstanding. The above proposal would require the issuance of 448,729 shares of Boeing on the two-to-three ratio subject to the following condition: In such a transaction as this, a stockholder may vote against the reorganization, and, if he complies with statutory procedures, perfect a right to have his shares appraised and paid for. Certain stockholders of Vertol may avail themselves of this right, and, if so, it would reduce the number of shares of Boeing that would have to be issued. It is expected that the Plan and Agreement of Reorganization would make it a condition on the transaction being consummated that the holders of not more than a stated number of shares perfect their rights to have their shares appraised and paid for. For instance, in the transaction involving the acquisition of Stavid by Lockheed, the agreement was subject to the condition that the holders of not more than 1,700 shares of Stavid perfect their right to have their shares appraised and paid for. There were 214,391 shares of Stavid outstanding.

# MINUTES OF STATED MEETING
# BOARD OF DIRECTORS
# BOEING AIRPLANE COMPANY

December 7, 1959

A Stated Meeting of the Board of Directors of Boeing Airplane Company was held at the Offices of the Company at Seattle, Washington on Monday, December 7, 1959, commencing at 12:30 P.M. There were present at the meeting the following Directors of the Company:

William M. Allen
Darrah Corbet
D. A. Forward
Artemus L. Gates
F. P. Laudan
Paul Pigott
William G. Reed
J. E. Schaefer
Dietrich Schmitz
Edward C. Wells
J. O. Yeasting

Mr. Allen presided at the meeting and Mr. Prince performed his duties as Secretary.

Mr. Allen inquired if there were any corrections to the minutes of the meeting of November 2, 1959, a copy of which had been forwarded to each of the Directors. In this connection, Mr. Gates inquired as to the reason for the 20% co-insurance on the 707 aircraft and this was explained. It was pointed out that the premium saved by the 20% co-insurance provision slightly exceeded the 20% loss factor in the Braniff accident. There were no corrections offered to the minutes of November 2 and upon motion made and seconded the minutes of said meeting were approved.

On behalf of the Contributions Committee Mr. Schmitz distributed an Agenda of the Contributions Committee dated December 7, 1959, and various proposed budgets. He reviewed the various requests for contributions as listed in the above-mentioned agenda and reviewed the various items in the proposed budgets submitted to the meeting. After considerable discussion, upon motion made and seconded it was unanimously

RESOLVED, that the following membership subscriptions be authorized and approved: American Astronautical Society membership for 1 year in the amount of $250; the Childrens' Orthopedic Hospital of Seattle annual membership in the amount of $10,000; and

RESOLVED FURTHER, that the following budgets as submitted to the meeting be approved: Contributions Budget--Seattle Area--1960; Corporate Dues and Subscriptions Budget--Seattle Area--1960; Contributions Budget--Wichita Division--1960; Corporate Dues and Subscriptions Budget--Wichita Division--1960; and Scholarship and Aid to Education Program Budget for 1960; that copies of such budgets as submitted to the meeting be attached to and made a part of the minutes of this meeting.

RESOLVED FURTHER, that the Officers of the Company are authorized to make contributions and payments in accordance with the foregoing resolution and in accordance with the budgets above approved.

RESOLVED FURTHER, that the Officers are authorized in lieu of making any contribution herein authorized directly to the beneficiary designated, to make the contribution to the Boeing Airplane Company Charitable Trust, and to direct the disbursement by the Trustee to the party to receive the contribution at such time as the Officers may direct.

Mr. Reed reported on behalf of the Stock Option and Incentive Compensation Committee and advised that a meeting of the Committee had been held on Thursday, December 3, at which it had been decided to award an additional series of options aggregating approximately 70,000 shares, exclusive of any options that might be granted to the President, and that it was proposed to endeavor to finalize the recommendations on this matter and grant the options as soon as practical after December 15, 1959. He further reported that after this grant of options an aggregate grant of options for approximately 110,000 shares would have been made from the approximately 200,000 shares available for issuance in the exercise of options granted under the Plan. On discussion it was pointed out that options were issued at the market price at the date the options were authorized by the Committee.

Mr. Yeasting distributed financial statements for the month of October and for the ten months ended October 31, 1959. He reviewed various items in the schedules and pointed out the bank loans continued at the $113 million level, that they were expected to continue at about this level for some time although there was a prospect of an increase of about $10 million in bank borrowings in the not too distant future. He reported that he expected the income after taxes for the year to be slightly in excess of $13 million without taking into account further sales of commercial jet transports, and pointed out that if further sales were made before the books were closed that it would result in improved earnings after taxes for the year, particularly with respect to the 707 series. Mr. Yeasting reported that the additional new orders reflected in the backlog were attributable to additional funds being allocated under various letter contracts on the military programs.

In answer to a question, it was pointed out in connection with the expected B-70 sub-contract cancellation that the Company had no express contract coverage or protection for facility expenditures, and that these amounted to approximately $1,300,000 on buildings and building installations, and there were additional expenditures and commitments for equipment items. The Directors were advised, however, that it was believed there was considerable justification for claiming certain of these costs as a part of the termination allowance.

Mr. Allen advised that effective the first of the year it had been arranged that Mr. Murray, who is now 67, would spend only approximately one-half of his time on Company affairs, and that his salary was to be reduced to $12,000 per annum; that it was believed that he would continue to serve in a very useful role for the Company and it was proposed that his title of Vice President be continued, but that the additional designation of "Eastern Representative" be deleted in view of the fact that Mr. Clifford Roberts would become the Manager of the Washington Office. After discussion, upon motion made and seconded it was, unanimously

> RESOLVED, that on and after January 1, 1960, the title of Mr. J. P. Murray be "Vice President".

It was reported that in the new Aero-Space Division Mr. Neil McCormick had been appointed Director of Facilities and that it was deemed advisable and convenient to authorize him to execute contracts on behalf of the Company; further, that in view of Mr. Murray's change in status it was believed advisable to authorize Mr. Clifford E. Roberts to execute contracts on behalf of the Company and to appoint an additional Assistant Secretary at the Washington Office to attest contracts, and it was recommended that Shirley L. Crawford be appointed an Assistant Secretary. After discussion, upon motion made and seconded, it was

> RESOLVED, that Shirley L. Crawford be appointed Assistant Secretary of the Company.

Further, upon motion made and seconded it was, unanimously

> RESOLVED, that on and after December 7, 1959, each of the following individuals shall have authority to execute on behalf of this Company contracts, leases, deeds, and other written instruments, including all contracts with the United States Government or any department or agency thereof and without limiting the generality of the foregoing, contracts for designing, building, modifying, assembling, servicing or repairing aircraft, missiles, parts and accessories therefor, engines of all types and description, and any and all contracts for conducting schools, or for research and development work, or for furnishing services of any type: William M. Allen, Robert M. Barry, Wellwood E. Beall, C. S. Cameron, J. B. Connelly, C. L. Egtvedt, D. J. Euler, C. B. Gracey, Lee H. Howard, R. H. Jewett, J. F. Korsberg, Fred P. Laudan, George C. Martin, Neil McCormick, L. C. McMahan, R. J. Murphy, J. P. Murray, H. W. Neffner, D. E. Patton, J. E. Prince, Clifford E. Roberts, G. R. Sanborn, J. E. Schaefer, N. D. Showalter, A. N. Sneed, Clyde Skeen, Theodore P. Snow, T. L. Spalding, Edward C. Wells, Lysle A. Wood, J. O. Yeasting, F. C. Young, and
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> RESOLVED FURTHER, that J. E. Prince, Secretary, or any of the following Assistant Secretaries, shall have authority to attest such instruments: A. H. Blaker, Shirley L. Crawford, R. Gelzenlichter, J. H. Hay, Zenda Heinz, P. C. Hill, W. H. Judd, H. V. Kohr, C. H. Kongs, G. W. McCarty, O. E. Melby, R. J. Murphy, H. W. Neffner, Evan M. Nelsen, E. J. Nicholson, L. A. Peters, B. D. Pinick, Clifford E. Roberts, G. R. Sanborn, T. L. Spalding, L. W. Taylor, W. van Amerongen, Ben M. Wheat, H. A. Williams.

A Proposed Budget for 1960 for Public Relations and Advertising, dated November 30, 1959, had previously been forwarded to each of the Directors. Mr. Allen reviewed various portions of the proposed budget, pointing out among other things that the reason for the increase in foreign advertising was attributable to the substantial number of foreign airlines putting the 707 in service during this period. Pursuant to a question asked it was reported that many of the advertising expenses were not accepted by the Government as costs of performing military work in process. After discussion, upon motion made and seconded it was, unanimously

> RESOLVED, that the Proposed Budget for 1960 for Public Relations and Advertising, dated November 30, 1959, as reviewed at this meeting, and providing for total expenditures in the amount of $2,489,534 be approved, it being recognized that adjustments may be made among the various items set forth in said budget.

Mr. Prince outlined the status of negotiations with Vertol, looking toward the possible acquisition of that company by Boeing, and reported that if agreements were reached it was tentatively planned to submit a Plan and Agreement of Reorganization to the Board of Directors of each company on January 18 with a meeting of the stockholders of Vertol shortly after February 15, and if the transaction were consummated, the closing date would probably be March 31, or possibly March 15, 1960. He advised that it was expected that drafts of the Plan and Agreement of Reorganization would be distributed for review by the Directors prior to the proposed meeting on January 18. He further reported that the Company had just received an inquiry from the United States Department of Justice requesting certain information and reports which the Department considered had a bearing on the anti-trust aspects of the proposed acquisition.

Messrs. Wells, Laudan and Schaefer reported on the status of the various major programs being performed by the Company, and upon the discussions and negotiations with respect to the possible sale of additional commercial jet transports. There was also discussion regarding the information available with respect to funding in the proposed Fiscal Year 1961 Federal Budget for the various programs of the Company.

The fan engine series of the 707 and 720 airplanes were discussed and the modification programs for the installation of these engines in delivered airplanes and the Directors were advised that certain noise problems had developed in connection with these engines which might make the installation more complicated than had originally been anticipated. The Directors were advised that the Company would not offer a Model 727 transport without first reviewing the matter with the Directors and obtaining their concurrence. Mr. Allen reported that this was a relatively high-risk program, that the most optimistic estimate of non-recurring costs was approximately $60 million, and that it might be necessary to price the airplanes on an assumed production quantity of at least 200, even though it would not be likely that initial orders at the time of go-ahead could be obtained for anything approaching this number.

Mr. Allen reported that improved and larger fan engines were to become available by both Pratt & Whitney and Rolls Royce, and that an arrangement had been worked out between the Allison Division of General Motors and Rolls Royce providing for the participation by Allison in the development of the Rolls Royce engine and its production in this country. He advised that these engines made possible a further advance in the 707 series which had been tentatively designated as the 707-520 series, which would call for some modifications to the wing structure and approximately a 200-inch extension in the fuselage; that Pan American was very interested in a cargo version of this model and possibly a number of commercial transport passenger airplanes; that Pan American proposed to make a decision on the matter during this month and that the Company was to make a proposal to Pan American prior to December 15 if it desired to offer such an airplane, and he called upon Mr. Wells to make a presentation of the airplane that would be provided and Mr. Yeasting to review costs estimates. These reports were made and the negotiations with Allison and Pratt & Whitney of United Aircraft were reviewed, although the Directors were advised that the final proposals of these two firms were yet to be received. The possible market for these airplanes was reviewed and the Directors were advised that the management believed that if the company offered this model, both the passenger and cargo versions, and they were accepted by Pan American, that it was reasonable to expect that the Company might sell a total of 30 of the cargo version and 25 of the passenger version. Both the recurring and non-recurring costs were reported together with the expected proposals from the engine manufacturers. It was reported that it was expected if Pan American accepted a proposal for this model that it would acquire from six to ten of the cargo version and from six to ten of the passenger version. On the basis of proposed price for the cargo version of $7,063,000, and for the passenger version of $6,612,000, it was estimated that if Pan American purchased six of each model and no additional airplanes were sold that the Company would lose on the program $14,730,000, and that if Pan American purchased six of the cargo version and ten of the passenger version and no further sales were made, the estimated loss on the program would be approximately $9 million.

There was extensive discussion of the competitive situation in the jet transport market, the pricing policy being followed by the Company, and its policy on accepting used equipment in trade for new airplanes, and the advisability and tactics in offering improved models. Questions were raised regarding the advisability of joint ventures with other companies in offering certain models of transport aircraft. After considerable discussion, upon motion made and seconded, it was unanimously

> RESOLVED, that it was the consensus of the meeting that the Officers of the Company exercise their judgment after getting the proposals from the engine companies and fix a price based on the best information available to them.

Mr. Allen reported that the management had been giving extensive consideration to the organization of the Headquarters management of the

Company and of the divisions, and had again obtained the services of Cresap, McCormick & Paget on this matter; that it was believed advisable to strengthen the divisional management, and Mr. Allen reviewed various proposed reassignments involving some key Headquarters personnel to the divisions, a change in some of the divisional assignments, and the assignment of one individual to a Headquarters position. It was the consensus of the meeting that these proposed assignments were advisable; it was recognized that certain changes in title would result. Mr. Allen pointed out that the matters had not been completely worked out at this time, and it was agreed that the major title changes would be cleared informally with the Directors prior to announcements, but that announcements might be made prior to the next meeting of the Directors.

There being no further business to come before the meeting the same was, upon motion made and seconded, adjourned.

Secretary

APPROVED:

William M. Allen

President

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# PLAN AND AGREEMENT OF REORGANIZATION

BETWEEN

BOEING AIRPLANE COMPANY

AND

VERTOL AIRCRAFT CORPORATION

*Dated January 18, 1960*

# PLAN AND AGREEMENT OF REORGANIZATION

**PLAN AND AGREEMENT OF REORGANIZATION** dated as of this 18th day of January, 1960, by and between Boeing Airplane Company, a Delaware corporation (hereinafter designated Boeing), and Vertol Aircraft Corporation, a Pennsylvania corporation (hereinafter designated Vertol).

## PLAN OF REORGANIZATION

This reorganization will consist of the acquisition by Boeing of substantially all of the property, assets, goodwill and business as a going concern of Vertol (including all of the stock of Vertol's subsidiaries), in exchange for shares of Boeing's capital stock and the assumption by Boeing of sustantially all of the liabilities of Vertol, whereupon Vertol will completely liquidate and distribute such Boeing stock to Vertol's stockholders according to their respective interests, and will thereafter dissolve, all upon and subject to the terms and conditions of the agreement hereinafter set forth. In the course of this reorganization, the stockholders of Vertol will in effect exchange their stock in Vertol for stock of Boeing, at the rate of two shares of Boeing stock for each three shares of Vertol stock owned by them. This plan of reorganization shall constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1954.

## AGREEMENT

In order to consummate this plan of reorganization and in consideration of the mutual agreements hereinafter contained, the parties hereto represent, warrant, covenant and agree as follows:

**1. Representations and Warranties of Boeing.** Boeing represents and warrants that:

(a) *Organization and Standing of Boeing.* Boeing is a corporation duly organized, existing and in good standing under the laws of Delaware and has full corporate power to carry on its business as now conducted and to acquire and operate the property, assets and business now owned and operated by Vertol. Boeing has delivered to Vertol certified copies of its certificate of incorporation and all amendments thereof and of its By-Laws as amended to date. Such documents are complete and correct as of the date of this agreement.

(b) *Stock of Boeing.* The authorized stock of Boeing consists of 10,000,000 shares of capital stock of the par value of $5.00 each, of which 7,521,914 shares are issued and outstanding and 610,900 shares are reserved for issue upon conversion of Boeing's presently outstanding 4½% Convertible Subordinated Debentures, due July 1, 1980. Under the provisions of Boeing's certificate of incorporation, 235,730 shares of such stock may be issued and sold to officers and employees pursuant to such stock purchase, stock option, bonus, profit sharing or incentive compensation plan or plans as shall from time to time be adopted, free from any preemptive rights of stockholders. The stockholders of Boeing have adopted two plans under which such stock could be issued to officers and employees of Boeing, an Incentive Compensation Plan for Officers and Employees and a Stock Option Plan. Options under the Stock Option Plan are held by 57 optionees covering an aggregate of 109,588 shares of Boeing's stock, exercisable between December 16, 1960, and December 21, 1969. All of the issued and outstanding shares of Boeing's capital stock are validly issued, fully paid and nonassessable, and such stock is listed on the New York Stock Exchange and is registered under the Securities Exchange Act of 1934, as amended.

(c) *Boeing's Authority.* The execution, delivery and performance of this agreement by Boeing have been duly authorized by the Board of Directors of Boeing and no further corporate authority is necessary on the part of Boeing in connection therewith. Neither the execution nor delivery of this agreement by Boeing nor its performance by Boeing will result in the breach of any term or provision of or constitute a default under any indenture, mortgage, deed of trust or other agreement to which Boeing is a party.

(d) *Financial Statements.* Boeing has delivered to Vertol balance sheets of Boeing as of December 31, 1958, December 31, 1957 and December 31, 1956 and related statements of income and retained earnings for each of the three years ending on such dates, with a report on examination by Touche, Niven, Bailey & Smart, independent certified public accountants, and an unaudited balance sheet of Boeing as of September 30, 1959, and related statements of income and retained earnings for the nine-month period ending on such date. Each of such statements presents fairly the financial position of Boeing as of the date thereof and the results of

Boeing's operations for the period covered thereby, and has been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(c) *Absence of Changes.* Since September 30, 1959, there has been no change in the condition (financial or otherwise) of Boeing other than changes arising in the ordinary course of its business, none of which has been materially adverse, and changes resulting from (i) payment of a quarterly cash dividend of twenty-five cents per share on December 10, 1959, (ii) payment of a 2% stock dividend on December 17, 1959, (iii) conversions of convertible debentures of Boeing theretofore outstanding, (iv) renegotiation under the Renegotiation Act of 1951, and (v) the absorption or adjustment of inventory or development costs not adequately covered by sales or orders.

**2. Representations and Warranties of Vertol.** Vertol represents and warrants that:

(a) *Organization and Standing of Vertol.* Vertol is a corporation duly organized, existing and in good standing under the laws of the Commonwealth of Pennsylvania, and is duly authorized to do business in that State, which is the only jurisdiction in the United States where such authorization is necessary for the conduct of its business. It has full corporate power to carry on its business and to own and operate the property and assets now owned and operated by it. Vertol has delivered to Boeing certified copies of its Articles of Incorporation and all amendments thereof, and of its By-Laws as amended to date. Such documents are complete and correct as of the date of this agreement.

(b) *Stock of Vertol.* The authorized stock of Vertol consists of 1,000,000 shares of common stock of the par value of $1 each, of which 673,093 shares are issued and outstanding and 43,832 shares are reserved for issue under Vertol's Stock Option Plan. Options under such Plan are held by 58 optionees, covering an aggregate of 37,557 shares of Vertol's stock; options for 853 shares are presently exercisable and options for 36,704 additional shares will become exercisable from time to time until February 2, 1964. All of the issued and outstanding shares of stock of Vertol are validly issued, fully paid and non-assessable.

(c) *Subsidiaries.* Vertol does not own directly or indirectly a majority interest in any corporation or organization other than Allied Research Associates, Inc., Canadian Vertol Aircraft, Ltd., and Vertol International Corporation, herein called the "subsidiaries".

Allied Research Associates, Inc. is a corporation duly organized and existing under the laws of Massachusetts, with an authorized capital stock of 150,000 shares of the par value of $1 each, 1,000 of which are validly issued and outstanding, fully paid and non-assessable, and are owned by Vertol, and the balance of which are authorized and unissued. Allied Research Associates, Inc. has full corporate power to carry on its business as now conducted.

Canadian Vertol Aircraft, Ltd. is a corporation duly organized and existing under the laws of Canada, with an authorized capital stock of 100 shares without par value, all of which are validly issued and outstanding and fully paid and non-assessable, and all of which are owned by Vertol, 98 directly and 2 by nominees of Vertol who reside in Canada. Canadian Vertol Aircraft, Ltd. has full corporate power to carry on its business as now conducted.

Vertol International Corporation is a corporation duly organized and existing under the laws of Delaware, with an authorized capital stock of 100 shares without par value, all of which are validly issued and outstanding and fully paid and non-assessable and all of which are owned by Vertol. Vertol International Corporation has full corporate power to carry on its business as now conducted.

Vertol has delivered to Boeing certified copies of the subsidiaries' Articles of Incorporation and all amendments thereof and of their By-Laws as amended to date. Such documents are complete and correct as of the date of this agreement.

(d) *Financial Statements.* Vertol has delivered to Boeing consolidated balance sheets of Vertol and its subsidiaries as of December 31, 1958, December 31, 1957 and December 31, 1956 and related statements of income and earned surplus for each of the three years ending on such dates, certified by Lybrand, Ross Bros. & Montgomery, independent certified public accountants, and an unaudited consolidated balance sheet of Vertol and its subsidiaries as of September 30, 1959, and related statements of income and retained earnings for the nine-month period ending on such date. Each of such statements presents fairly the financial position of Vertol and its subsidiaries as of the date thereof and the results of their operations for the period covered thereby and has been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(e) *Absence of Changes.* Since September 30, 1959 there has not been

(i) any change in the condition (financial or otherwise) of Vertol and its subsidiaries other than changes in the ordinary course of business, none of which has been materially adverse, and changes, if any, resulting from renegotiation under the Renegotiation Act of 1951;

(ii) any dividend or other distribution declared, paid or made on any of the shares of stock of Vertol;

(iii) any damage, destruction or loss (whether or not covered by insurance) materially and adversely affecting the properties, business or future prospects of Vertol or its subsidiaries;

(iv) any increase in the compensation payable or to become payable by Vertol or its subsidiaries to any officer, employee or agent or any increase in or any arrangements for bonus payments in stock or cash by Vertol or its subsidiaries to any officer, employee or agent except employees' merit and promotional increases in accordance with their regularly established salary adjustment schedule and except increases granted to two officers pursuant to resolution of Vertol's executive committee adopted January 15, 1960;

(v) any actual or threatened cancellation, termination, reduction or curtailment of any contract held by Vertol or its subsidiaries materially and adversely affecting Vertol and its subsidiaries, or their future prospects; or

(vi) any proposals, offers or commitments made by Vertol or any of its subsidiaries which if accepted by third parties or otherwise made binding on Vertol or its subsidiaries would materially and adversely affect Vertol and its subsidiaries or their future prospects.

(f) *Tax Audits.* The federal income tax returns of Vertol have been audited by the Internal Revenue Service for all years up to and including the one ended December 31, 1953, and all federal income tax liabilities have been settled for the years through 1950.

Allied Research Associates, Inc. is the successor by merger (effective December 31, 1958) to two Massachusetts corporations. The federal income tax returns of one of these, also named Allied Research Associates, Inc., have been audited by the Internal Revenue Service for the fiscal years ended on September 30, 1952, 1954 and 1955; the tax returns of the other, ARA Productions, Inc., have been audited only for the fiscal year ended September 30, 1955. The tax returns of Vertol International Corporation and the present Allied Research Associates, Inc., have not been audited.

The income tax returns of Canadian Vertol Aircraft, Ltd. have not been subject to any deficiency letters by the tax authorities of Canada.

Subject to the related notes and comments, the provision made for taxes on Vertol's consolidated September 30, 1959 balance sheet is sufficient, in Vertol's opinion, for the payment of all federal, Canadian, state, provincial, county and local taxes which may be assessed against Vertol and its subsidiaries for the periods covered by such financial statements and all prior periods. Except as set forth in such related notes and comments, Vertol does not know of any questions relating to any tax returns for itself or any subsidiary for any year which, if determined adversely to it, would result in the assertion against Vertol or its subsidiaries of a deficiency in any substantial amount.

(g) *Titles to Properties; Absence of Liens and Encumbrances.* Vertol and its subsidiaries have good and marketable title to all their properties and assets, real and personal (including those reflected on the consolidated balance sheet of Vertol and its subsidiaries as of September 30, 1959, except as since sold or otherwise disposed of in the ordinary course of business), free and clear of all liens and encumbrances, except imperfections of title and encumbrances (1) which result from provisions in contracts between Vertol and the United States Government under which such Government is given an interest in certain items of inventory with respect to which progress payments have been made, (2) which result from provisions of a Revolving Credit Agreement dated September 28, 1956, as supplemented and amended, under which Vertol has assigned to the lending banks which are parties thereto certain receivables and inventories as security for loans to Vertol, (3) which are disclosed by the title reports with respect to Vertol's real property issued by Commonwealth Land Title Insurance Company and delivered by Vertol to Boeing prior to the execution of this agreement, and (4) which are not substantial in character, amount or extent, and do not materially detract from the value or interfere with the present use of the properties subject thereto or affected thereby, or otherwise materially impair business operations. Neither Vertol nor any of its subsidiaries has received notice of any violation of any applicable zoning regulation, law, ordinance or other law, regulation or requirement relating to its operations or its owned or leased properties, and, so far as known to Vertol, there is no such violation which would materially and adversely affect Vertol or any of its subsidiaries.

(h) *Lists of Properties and Contracts.* Vertol has delivered to Boeing the following, certified correct by Vertol's Secretary:

> (1) Schedule 1, referring to all real property owned of record or beneficially or leased by Vertol or its subsidiaries, and containing a statement of the gross area under roof of all structures located thereon.
>
> (2) Schedule 2, referring to all material contracts, offers, proposals and letters of intent of which Vertol or any of its subsidiaries is a party or the beneficiary, and all material amendments thereof, including all of the following which are material: indentures; mortgages; chattel mortgages; conditional sales agreements; leases (except those listed in Schedule 1); employment agreements; patent license agreements; contracts for the future delivery of products or rendition of services; contracts for the future purchase of materials, supplies or equipment; pensions; and pension, retirement, bonus, insurance, group insurance, welfare, employees' stock option, employees' stock purchase and similar plans or agreements.
>
> (3) Schedule 3, referring to all material patents, patent applications, trademarks, trademark registrations and applications therefor, trade names, copyrights and copyright registrations and applications therefor of Vertol or its subsidiaries.

Vertol has no knowledge of any material default in any obligation on the part of Vertol or any of its subsidiaries to be performed under any contract or other instrument referred to in Schedule 2 except such defaults, if any, which have been disclosed to Boeing in writing and which have not and will not result in any significant loss or liability to Vertol or any subsidiary. No officer of Vertol or any of its subsidiaries owns directly or indirectly in whole or in part any patents, trademarks or other items referred to in Schedule 3, which Vertol or its subsidiaries is presently using or the use of which is necessary in connection with the performance of any material contract, proposal or letter of intent to which Vertol or any of its subsidiaries is a party.

(i) *Condition of Properties.* The plants, structures and equipment of Vertol and its subsidiaries that are necessary or useful to the operation of their businesses are in good operating condition and repair.

(j) *Litigation.* Except for the matters referred to in Schedule 4 delivered to Boeing by Vertol and certified correct by Vertol's Secretary, there is no suit, action, or legal, administrative, arbitration or other proceeding or investigation pending or to the knowledge of Vertol threatened against or affecting Vertol or its subsidiaries, which might materially affect the financial condition of Vertol or its subsidiaries or the conduct of their businesses.

(k) *Absence of Undisclosed Liabilities.* Except to the extent reflected or reserved against in the consolidated balance sheet of Vertol and its subsidiaries as of September 30, 1959, and except as set forth in the Schedules delivered pursuant hereto and as otherwise disclosed herein, Vertol and its subsidiaries as of that date had no material liabilities or obligations of any nature whether absolute, accrued, contingent, or otherwise and Vertol does not know or have reasonable grounds to know of the assertion against it or its subsidiaries as of such date of any material liability of any nature or in any amount which is not fully reflected or reserved against in such balance sheet or set forth in such Schedules or otherwise disclosed herein.

(l) *Stock Options.* Vertol and its subsidiaries do not have outstanding nor are they committed to give any option or right to purchase, nor are they otherwise committed to issue, sell or dispose of or to purchase, any shares of their stock except pursuant to the stock option agreements listed in Schedule 2.

(m) *Vertol's Authority.* The execution, delivery and performance of this agreement by Vertol have been duly and effectively authorized by the Board of Directors of Vertol subject to approval by Vertol's stockholders as required by law. Neither the execution nor delivery of this agreement by Vertol will result in the breach of any term or provision of or constitute a default under any indenture, mortgage, deed of trust or other agreement to which Vertol or its subsidiaries is a party.

(n) *Renegotiation.* Vertol and Allied Research Associates, Inc., have received clearance from or made settlement with the Renegotiation Board through the calendar years 1957 and 1958, respectively. A substantial portion of the business of Vertol and Allied Research Associates, Inc., but not of the other subsidiaries, is subject to renegotiation or price redetermination, but no significant effect therefrom on the financial condition of Vertol or its subsidiaries is anticipated by Vertol.

(o) *Capital Projects.* Vertol has delivered to Boeing Schedule 5, certified correct by Vertol's Secretary, listing all outstanding capital projects of Vertol and its subsidiaries authorized by their Boards of Directors or executive officers as of January 15, 1960, showing the estimated cost of completion of each. Since that date neither the Board of Directors nor the executive officers of Vertol or its subsidiaries have authorized any major additional capital projects.

(p) *Competitors.* No officer of Vertol or its subsidiaries owns directly or indirectly a controlling interest in any corporation, partnership or association which is a competitor or potential competitor of Vertol or its subsidiaries.

**3. Obligations of Boeing Prior to Closing.** Boeing covenants and agrees that prior to the Closing Date specified in paragraph 8 below:

(a) *Financial Statements.* Boeing will deliver to Vertol a balance sheet of Boeing as of December 31, 1959, a related statement of income and retained earnings for the year ended December 31, 1959, and a report on examination by Touche, Ross, Bailey & Smart, independent certified public accountants. Such statements shall present fairly the financial position of Boeing as of such date and the results of Boeing's operations for the period covered therein and shall have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(b) *Listing.* Boeing will make application for listing on the New York Stock Exchange of the shares of capital stock of Boeing to be issued pursuant to this agreement and will use its best efforts to obtain approval of the listing of said shares on official notice of issuance.

(c) *Dividends and Stock Distributions.* Boeing will not, without the prior approval of Vertol, declare or pay any dividend or make any distribution to its stockholders other than quarterly cash dividends of twenty-five cents per share, or issue or sell any shares of its stock except pursuant to the provisions of Boeing's Incentive Compensation Plan or upon the conversion of any of Boeing's presently outstanding 4½% Convertible Subordinated Debentures, due July 1, 1980.

(d) *Amendment of Certificate of Incorporation.* Boeing will not take any action to amend its certificate of incorporation without the prior approval of Vertol.

**4. Obligations of Vertol Prior to Closing.** Vertol covenants and agrees as follows:

(a) *Authorization by Stockholders.* Vertol will cause a meeting of its stockholders to be called and held on or prior to February 24, 1960, for the purpose of submitting to them the transactions contemplated by this agreement which require their approval.

(b) *Title Reports.* At least one month before the Closing Date, Vertol will deliver to Boeing at Vertol's expense preliminary title reports or other evidence of title satisfactory to Boeing with respect to the real property of Vertol.

(c) *Consents of Others.* As soon as reasonably practicable after the date of this agreement and in any event on or prior to the Closing Date, Vertol will obtain all necessary consents of others to the assignment and transfer to Boeing of any and all material properties, assets and agreements (other than agreements with the United States government or agencies thereof) of Vertol herein provided to be assigned and transferred to Boeing. Vertol agrees to use its best efforts to obtain all necessary consents of the United States government and its agencies to the assignment and transfer to Boeing of all of Vertol's contracts with such government and agencies, through appropriate novation agreements, substituting Boeing in place of Vertol in such contracts. If such novation agreements are not obtained as to all contracts prior to the Closing Date, Vertol will continue thereafter to use its best efforts to obtain such novation agreements.

To the extent that any assignment of any contract, license, lease, commitment, sales order or purchase order to be assigned as provided in this agreement shall require the consent of the other party thereto, this agreement shall not constitute an agreement to assign the same if such an agreement would constitute a breach thereof.

(d) *Insurance.* From the date of this agreement until the Closing Date, Vertol and its subsidiaries (1) will continue to carry their existing insurance, subject to variations in amounts required by the ordinary operations of their business, and (2) will, as Boeing may request, cause the policies of insurance covering any of their properties or relating to the operation of their business to be payable to and to protect Vertol and Boeing as their interests may appear. At the request of Boeing and at its sole expense, the amount of insurance against fire and other casualties which at the date of this agreement Vertol and its subsidiaries carry on any of their properties or in respect of their operations shall be increased by such amount or amounts as Boeing shall specify.

(e) *Financial Statements.* Vertol will deliver to Boeing a consolidated balance sheet of Vertol and its subsidiaries as of December 31, 1959, and related statements of income and earned surplus for the year then ended, certified by Lybrand, Ross Bros. & Montgomery, independent certified public accountants. Such statements shall present fairly the financial position of Vertol as of such date and the results of Vertol's operations for the period covered thereby, and shall have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Vertol will cause such accountants to make available for inspection by representatives of Boeing at reasonable times and places, all working papers, data and information prepared or obtained by them in preparation for furnishing their certificate relating to such statements.

(f) *Continuing Obligations.* From the date of this agreement until the Closing Date:

(1) *Information and Access to Boeing.* When requested by Boeing, Vertol will give to Boeing and to Boeing's counsel, accountants and other representatives full access during normal business hours to all the properties, books, contracts, documents and records of Vertol and its subsidiaries, and will furnish to Boeing all such documents and records (certified, if requested) and information with respect to the affairs of Vertol and its subsidiaries as Boeing shall reasonably request. Nothing herein shall obligate Vertol or its subsidiaries to disclose any classified information or provide any access to representatives of Boeing not authorized by applicable Government authority to have access thereto. Boeing and its representatives will hold in strict confidence all data and information so obtained and, if the transactions herein provided for are not consummated, will return to Vertol all such data as Vertol may reasonably request. Subject to the same requirement of confidence, Boeing will furnish Vertol such information concerning the business and operations of Boeing as Vertol may reasonably request.

(2) *Conduct of Business.* The business of Vertol and its subsidiaries will be conducted diligently and only in the ordinary course; and Vertol and its subsidiaries will use their best efforts (without making any commitment on behalf of or which would be binding upon Boeing except through Boeing's assumption of liabilities as provided herein) to preserve their business organizations intact, to keep available to Boeing their present officers and employees, and to preserve for Boeing the relationships of Vertol and its subsidiaries with suppliers, customers and all others having business relations with them.

(3) *Compensation.* Except for merit and promotional increases in the normal course of business, Vertol and its subsidiaries will not grant any increase in salary to any employee, nor will Vertol or its subsidiaries increase any benefits payable to any officer or employee under any bonus or pension plan or other contract or commitment, without Boeing's prior written consent.

(4) *Contracts, Proposals and Commitments.* All fixed-price contracts, firm proposals, or commitments for the sale of products or services by Vertol or its subsidiaries in amounts exceeding $200,000, or any amendment or extension of any fixed-price contract or commitment for such sale which raises the amount thereof by over $200,000, shall be submitted to Boeing for review; but Vertol and its subsidiaries need not delay the execution of any such contract, or the making of any such proposal or commitment, pending such review by Boeing.

(5) *Capital Expenditures.* All proposed capital expenditures in excess of the total set forth in Schedule 5, other than for ordinary repairs and maintenance and minor plant additions and replacements, shall be submitted to Boeing for review; but Vertol and its subsidiaries need not delay incurring such capital expenditures pending such review by Boeing.

(6) *Sale of Capital Assets.* Without Boeing's prior written consent, neither Vertol nor any of its subsidiaries will sell or otherwise dispose of any of its real properties or interests therein nor sell or otherwise dispose of any personal property, except in the ordinary course of business.

(7) *Stock.* Neither Vertol nor any of its subsidiaries will purchase or otherwise acquire, or agree so to do, any shares of stock of Vertol, nor will Vertol redeem, retire, issue, sell, give any option or right to purchase, hypothecate, pledge, or otherwise encumber or dispose of, or agree so to do, any shares of its stock, except for the issuance of stock on the exercise of stock options heretofore granted by Vertol.

(8) *Dividends.* Vertol will not declare or pay any dividend or make any other distribution on any shares of its stock.

(9) *Corporate Franchises and Conduct of Business.* Vertol and its subsidiaries will take such action as may be necessary to maintain, preserve, renew and keep in full force and effect their corporate existence, rights and franchises, will not amend either their Articles of Incorporation or their By-laws, and will duly comply with all laws applicable to them and to the conduct of their business.

(g) *Vertol Stock Options.* Vertol will cause its board of directors to take appropriate action to amend all stock options outstanding under its Stock Option Plan to provide that (i) upon the exercise of such options after the Closing Date, capital stock of Boeing in lieu of common stock of Vertol will be sold by Boeing to the holders of such of Vertol's outstanding stock options as are not exercised and have not lapsed prior to the Closing Date, and (ii) if any Federal or state law or regulation or any regulation of any national securities exchange upon which Boeing's stock is listed requires Boeing to take any action with respect to the shares as to which the option is being exercised before issuance thereof, the date for issuance and delivery of such shares shall be extended for the period of time necessary for Boeing to take such action. Such substitution of Boeing stock for Vertol stock shall be at the rate of two shares of Boeing capital stock for three shares of Vertol common stock subject to each such stock option. The option price per share for such Boeing capital stock shall be 150% of the option price per share for Vertol common stock; provided that in each case where the aggregate number of shares of Boeing capital stock to which an option holder would otherwise be entitled would result in a fractional interest, such fractional interest will be disregarded and cancelled in making such substitution. It is the purpose and intention of the parties that such stock options shall in all events, after giving effect to such substitution and to the assumption of such options by Boeing as hereinafter provided, remain restricted stock options within the meaning of Section 421 of the Internal Revenue Code of 1954, and Vertol agrees that any further adjustments or changes in the stock options which may be necessary to reach that result shall be made.

**5. Sale and Acquisition of Property and Assets.** Subject to the terms and conditions of this agreement, and in accordance with the provisions herein set forth:

(a) *Sale and Transfer of Property by Vertol.* Vertol hereby agrees at the Closing Date to sell, convey, assign and deliver to Boeing and Boeing agrees that it will acquire and accept at the Closing Date, all of the property, assets and business of Vertol, including without limitation, all property, tangible or intangible, real or personal, accounts receivable, securities, choses in action and cash (except for the Liquidation Account referred to in paragraph 5(b), non-assignable tax refund claims, and such other choses in action and other property as Boeing may wish Vertol to retain temporarily), claims and rights in the name "Vertol", all books and records of Vertol relating to its business (but not including its minute books and stock books and corporate records until a reasonable time after the dissolution of Vertol) and all of the stock of Allied Research Associates, Inc., Canadian Vertol Aircraft, Ltd., and Vertol International Corporation. After the Closing Date, Boeing shall make available to Vertol, or its successor, any such books, papers and records turned over to it, at any reasonable time during business hours for any proper purpose. The assets and properties to be conveyed, transferred, assigned and delivered as herein provided shall, without limitation, include all assets and property of Vertol reflected on the consolidated balance sheet of Vertol and its subsidiaries as of September 30, 1959, and all assets and property thereafter acquired by Vertol, except such assets and properties of Vertol as it may have disposed of in the ordinary course of business or in satisfaction of obligations under this agreement, and such cash as may be reserved for the Liquidation Account.

Vertol will deliver to Boeing, when received, the proceeds of any non-assignable tax refund claims, and will convey and transfer to Boeing at such time as Boeing may direct and in any event before the dissolution of Vertol any other property temporarily retained by Vertol on the Closing Date.

(b) *Vertol's Liquidation and Dissolution Expenses.* Stockholders of Vertol who dissent from the transactions contemplated by this Agreement shall be entitled to the rights and remedies granted by Section 515 of the Pennsylvania Business Corporation Law. In order to provide for payment of the value of the shares owned by any such stockholders and for payment of the expenses of Vertol in carrying out its obligations under and its liquidation and dissolution contemplated by this Agreement, Vertol will on or prior to the Closing Date establish a special account with Girard Trust Corn Exchange Bank in an amount reasonably deemed necessary by Vertol to provide for such payments. Such account shall be designated the "Liquidation Account". The persons authorized to draw thereon will be designated by the Board of Directors of Vertol, but withdrawals shall be made only with Boeing's prior approval. As promptly as practicable after the Closing Date Vertol shall ascertain whether any amount in the Liquidation Account will not be required for the purpose of making the payments described above, and any such excess shall be transferred to Boeing.

(c) *Assumption of Liabilities of Vertol.* Except as otherwise provided in this paragraph 5(c), Boeing hereby agrees that on the Closing Date it shall assume and agree to perform and pay when due all of the debts, liabilities, obligations and contracts of Vertol of any kind, character or description, including the obligations of Vertol with respect to the stock options referred to in paragraph 4(g), whether accrued, absolute, contingent or otherwise (and whether or not reflected or reserved against on Vertol's balance sheets, books of account and records). To the extent that Vertol shall be indemnified by an insurer against any of the debts, liabilities or obligations of Vertol aforesaid, or costs or expenses in connection therewith, Boeing shall not assume any of such debts, liabilities, obligations, costs or expenses, unless such insurer shall on or prior to the Closing Date agree that such assumption shall not create, by right of subrogation, any cause of action by such insurer against Boeing in respect of such debt, liability or obligation of Vertol; provided, however, that if Vertol shall use its best efforts, including without limitation the prosecution of legal proceedings to a court of last resort, to obtain satisfaction from any such insurer of any such debt, liability or obligation and despite such efforts Vertol shall fail to secure such satisfaction, Boeing shall assume and agree to pay such debt, liability or obligation and all costs and expenses in connection therewith. Boeing shall have the right, at its election, to participate in any such legal proceedings through its own counsel at its own cost and expense. Boeing shall pay all costs and expenses of Vertol in connection with the prosecution of any claim against any such insurer. Boeing shall not be required to pay any debts, liabilities and obligations of Vertol with respect to any taxes, assessments or other governmental charges which are assumed by Boeing so long as it in good faith shall cause to be contested the validity or amount thereof.

The assumption by Boeing of the debts, liabilities and obligations of Vertol as provided above shall expressly exclude (i) any tax imposed upon Vertol by reason of the sale of its assets and business, or upon any stockholder of Vertol by reason of his surrender of common stock of Vertol in exchange for capital stock of Boeing pursuant to this agreement, (ii) any liability of Vertol to make payments to its stockholders who dissent from the transactions contemplated by this agreement, and (iii) any of the liabilities or expenses of Vertol in carrying out its obligations under this agreement, including its liquidation and dissolution.

(d) *Issue and Delivery of Boeing Capital Stock.* In consideration of the sale and transfer to Boeing of the assets and business of Vertol as provided in this agreement, Boeing agrees that on the Closing Date, subject to the terms and conditions of this agreement, Boeing will deliver to Vertol a certificate or certificates for 473,767 shares of Boeing's presently authorized capital stock of a par value of $5.00 per share; such number of shares, however, to be reduced by a number equal to (1) 66⅔% of the number of shares of stock of Vertol now reserved for issue upon exercise of outstanding stock options and which are not issued prior to the Closing Date, and (2) 66⅔% of the number of shares of Vertol's stock as to which dissenting stockholders shall have demanded payment for their shares within the period allowed by law; so that the aggregate number of shares of capital stock so to be delivered by Boeing to Vertol at the Closing Date shall be at the rate of two (2) shares of Boeing capital stock for each three (3) shares of stock of Vertol to be exchanged therefor. In further consideration of such sale and transfer, Boeing also agrees to issue and deliver to the holders of stock options of Vertol to be assumed by Boeing under paragraph 5(c) certificates for the shares of Boeing capital stock to which such holders shall become entitled upon the exercise thereof. Boeing agrees to cooperate with Vertol in connection with any adjustment or change in such stock options which may be necessary to cause them to remain restricted stock options within the meaning of Section 421 of the Internal Revenue Code of 1954.

**6. Conditions Precedent to Obligations of Boeing.** All of the obligations of Boeing under this agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions:

(a) *Vertol's Representations and Warranties True at Closing.* Except as otherwise permitted by this agreement, all representations and warranties by Vertol which are contained in this agreement or in any written statement or schedule which shall be delivered by Vertol to Boeing pursuant to this agreement shall be true in all material respects on and as of the Closing Date as though such representations and warranties were made at and as of such time; and Boeing shall not have discovered any material error, misstatement or omission in any such representations or warranties.

(b) *Vertol's Performance.* Vertol and its subsidiaries shall have performed and complied with all agreements or conditions required by this agreement to be performed and complied with by them prior to or on the Closing Date.

(c) *Officers' Certificate.* Vertol shall have delivered to Boeing its certificate, dated the Closing Date, executed in its corporate name by its President or a Vice President and Treasurer or Secretary, certifying, in such detail as Boeing may reasonably request, to the fulfillment of the conditions specified in paragraphs 6(a) and 6(b).

(d) *Action by Vertol Stockholders.* At the meeting of Vertol's stockholders provided for in paragraph 4(a), the sale and transfer of assets by Vertol, its change of name, and its liquidation and dissolution, as provided for in this agreement, shall have been approved and consented to by its stockholders in the manner required by applicable law, its Articles of Incorporation or any other applicable requirement, and on or before the Closing Date all action required by any applicable law or otherwise by stockholders of Vertol with regard to such sale and transfer of assets by Vertol and with regard to its change of name and liquidation and dissolution shall have been appropriately accomplished.

(e) *Dissenting Stockholders.* The aggregate number of shares of common stock of Vertol the holders of which shall have dissented from the transactions contemplated by this agreement and shall have demanded payment for their shares within the period required by law shall not exceed 15,000, and such period shall have expired.

(f) *Opinion of Vertol's Counsel.* Vertol shall have delivered to Boeing an opinion or opinions of Messrs. Barnes, Dechert, Price, Myers & Rhoads, counsel for Vertol, dated the Closing Date, in form and substance satisfactory to counsel for Boeing to the effect that

(1) Vertol is a corporation duly organized and existing and in good standing under the laws of the Commonwealth of Pennsylvania;

(2) Except for the matters referred to in Schedule 4, and except for suits of a character incident to the normal conduct of the business of Vertol and its subsidiaries involving possible liability of not more than $100,000 in the aggregate, and for proceedings (if any) involving determination of the fair value of the shares of dissenting Vertol shareholders, such counsel does not know or have reason to believe that there is any litigation, proceeding or investigation pending or threatened which might result in any material adverse change in the properties, business or prospects or in the condition (financial or otherwise) of Vertol and its subsidiaries, or which questions the validity of this agreement or of any action taken or to be taken by Vertol or its stockholders (including, without limitation, the liquidation and dissolution proceedings of Vertol) or Boeing pursuant to or in connection with this agreement;

(3) The execution, delivery and performance of this agreement by Vertol have been duly authorized and approved by Vertol's Board of Directors and stockholders, and this agreement has been duly executed and delivered by Vertol and constitutes the valid and binding obligation of Vertol in accordance with its terms;

(4) All corporate proceedings required by law or by the provisions of this agreement to be taken by Vertol and its stockholders on or prior to the Closing Date in connection with the consummation of the transactions contemplated by this agreement have been duly and validly taken;

(5) Vertol has complete and unrestricted power to sell, convey, assign, transfer and deliver to Boeing all of the property, assets and business to be sold by Vertol under this agreement, or, if any restrictions

exist as to such power, Vertol has obtained appropriate and sufficient waivers or consents, except that the novation agreements referred to in paragraph 4(c) may not have been obtained;

(6) Such counsel do not know of or have reason to believe that there are any defects in the title of Vertol to any property to be conveyed hereunder, or in the title of Vertol's subsidiaries to the property owned by them, except any of the nature specified in subparagraphs (1), (3) and (4) of paragraph 2(g);

(7) The instruments executed and delivered to Boeing under this agreement by Vertol are valid and enforceable in accordance with their terms;

(8) Vertol's authorized capitalization at the Closing Date is as set forth in paragraph 2(b);

(9) At the Closing Date Vertol has no shares of stock outstanding except the 673,093 shares of its common stock outstanding at the date of this agreement, plus any shares thereafter issued pursuant to the exercise in accordance with their terms of stock options of Vertol now outstanding, and all said shares of its common stock are validly issued fully paid and non-assessable;

(10) The issuance of shares of its capital stock hereunder by Boeing to Vertol, and the transfer by Vertol of said shares pursuant hereto to its stockholders upon its liquidation and dissolution in the manner provided herein, do not require the registration of said shares under the Securities Act of 1933, as amended, or the registration or reporting of such shares under the Pennsylvania Securities Act;

(11) The transfers, assignments and conveyances of real and personal property by Vertol to Boeing pursuant to the terms of this agreement will not require the payment of any Pennsylvania state or local sales or use taxes materially different from those described in a letter from such counsel to Boeing dated January 18, 1960;

In rendering their opinion, Messrs. Barnes, Dechert, Price, Myers & Rhoads may rely on certificates of officers of Vertol and of Boeing, opinions of associate counsel, title insurance reports delivered by Vertol hereunder, and such other evidence as they may deem necessary or desirable.

(g) *Title Insurance.* Boeing, upon due application therefor, shall have received policies of title insurance or commitments for such policies in form satisfactory to its counsel, insuring, in amounts deemed adequate by Boeing, fee simple interests in all of Vertol's real properties, any exceptions or defects specified in such policies and any further exceptions, defects or violations which may exist relating to such properties or to the operation of Vertol, if not of the nature specified in paragraph 2(g) above, to be subject to the approval of such counsel.

(h) *Opinion of Boeing's Counsel.* Boeing shall have received from Messrs. Holman, Mickelwait, Marion, Black and Perkins, counsel for Boeing, an opinion, which may be based upon the opinion of counsel for Vertol, evidence referred to in such opinion, and such other evidence as they may deem to be necessary or desirable, to the effect set forth in subparagraphs (1), (3), (4), (7), (10) and (11) of paragraph 6(f), and an opinion, which may be based in whole or in part on a ruling or rulings of the Internal Revenue Service, to the effect set forth in subparagraphs (3) and (4) of paragraph 7(c).

(i) *Securities Act Compliance.* All Vertol stockholders reasonably deemed by Boeing to be "affiliates" of Vertol within the meaning of Rule 133 to the Securities Act of 1933, as amended, shall have delivered to Boeing statements in form satisfactory to Boeing to the effect that (1) the capital stock of Boeing received by them upon the liquidation and dissolution of Vertol contemplated hereby is not being acquired with a view to the distribution thereof within the meaning of such Rule, and (2) the stock shall not be disposed of by them in violation of the registration requirements of such Act or the rules and regulations issued thereunder.

(j) *Financial Statements of Vertol as of December 31, 1959.* The financial statements of Vertol delivered pursuant to paragraph 4(e) shall not indicate any material adverse change in the financial condition, business or operations of Vertol or its subsidiaries during the period from September 30, 1959, to December 31, 1959, except to the extent permitted by paragraph 2(e)(i).

(k) *Vertol Accountants' Letter.* On the Closing Date, Boeing shall have received from Lybrand, Ross Bros. & Montgomery, certified public accountants, a certificate or letter dated as of the Closing Date to the effect that on the basis of the latest available interim financial statements prepared by Vertol and its subsidiaries, consultations with responsible officers of Vertol and its subsidiaries, and other pertinent inquiries, they have no reason to believe that during the period from December 31, 1959, to March 26, 1960, or a specified date not more than five business days prior to Closing Date if closing is earlier or later than March 31, 1960, there have been any changes of a material adverse nature in the financial condition or results of operations of Vertol or its subsidiaries from such condition or results as they existed on December 31, 1959.

(l) *Novation Agreements.* Boeing shall have no grounds for believing, based upon communications with any responsible United States government official or officials, that the United States government will refuse to consent to the transfer by Vertol to Boeing of any material government contract which Vertol may have at the Closing Date by a novation agreement concerning the same, substituting Boeing in lieu of Vertol as a party thereto, or that the transfers contemplated by this agreement will materially adversely affect contracts with the United States Government presently held by Vertol's subsidiaries.

(m) *Tax Rulings.* The tax rulings referred to in paragraph 7(e) shall have been received.

**7. Conditions Precedent to Vertol's Obligations.** All of the obligations of Vertol under this agreement are subject to fulfillment, prior to or on the Closing Date, of each of the following conditions:

(a) *Boeing's Representations and Warranties True at Closing.* Except as otherwise permitted by this agreement, all representations and warranties by Boeing which are contained in this agreement or in any written statement which shall be delivered by Boeing to Vertol pursuant to this agreement shall be true in all material aspects on and as of the Closing Date as though such representations and warranties were made at and as of such date; and Vertol shall not have discovered any material error, misstatement or omission in the representations and warranties made herein by Boeing.

(b) *Boeing's Performance.* Boeing shall have performed and complied with all agreements and conditions required by this agreement to be performed or complied with by it prior to or on the Closing Date.

(c) *Officers' Certificate.* Boeing shall have delivered to Vertol its certificate, dated the Closing Date, executed in its corporate name by its President or one of its Vice Presidents and its Secretary or an Assistant Secretary, certifying, in such detail as Vertol may reasonably request, to the fulfillment of the conditions specified in paragraphs 7(a) and 7(b).

(d) *Opinion of Boeing's Counsel.* Boeing shall have delivered to Vertol an opinion of Boeing's counsel, Messrs. Holman, Mickelwait, Marion, Black & Perkins, dated the Closing Date, in form and substance satisfactory to counsel for Vertol, to the effect that:

(1) Boeing is a corporation duly organized and existing and in good standing under the laws of the State of Delaware;

(2) Boeing's authorized capitalization at the Closing Date is as set forth in paragraph 1(b);

(3) On the Closing Date, prior to the issue of stock pursuant to this agreement, Boeing has no shares of stock outstanding except the 7,521,911 shares of its capital stock outstanding at the date of this agreement plus the sum of all shares thereafter issued pursuant to the following: the exercise of conversion rights under Boeing's presently outstanding 4½% Convertible Subordinated Debentures; and the issuance of stock pursuant to Boeing's Incentive Compensation Plan for officers and employees. All such shares are validly issued, fully paid and nonassessable;

(4) The execution, delivery and performance of this agreement by Boeing have been duly authorized and approved by Boeing's Board of Directors, and this agreement has been duly executed and delivered by Boeing and constitutes the valid and binding obligation of Boeing in accordance with its terms;

(5) All corporate proceedings required by law or by the provisions of this agreement to be taken by Boeing on or prior to the Closing Date in connection with the consummation of the transactions contemplated by this agreement have been duly and validly taken; the shares of capital stock of Boeing to be issued and delivered pursuant to this agreement, when so issued and delivered and when paid for as provided in this agreement will be validly issued, fully paid and non-assessable and Vertol will have good title to such shares issued to it;

(6) The shares of capital stock of Boeing to be issued hereunder have been duly authorized for listing on the New York Stock Exchange upon official notice of issuance;

(7) The issuance of shares of its capital stock hereunder by Boeing to Vertol, and the transfer by Vertol of said shares pursuant hereto to its stockholders upon its liquidation and dissolution in the manner provided herein, do not require the registration of said shares under the Securities Act of 1933, as amended; and

(8) The instrument of assumption of Boeing provided for in paragraph 5(c) has been duly executed and delivered and is binding and effective in accordance with its terms.

In rendering their opinion, Messrs. Holman, Mickelwait, Marion, Black & Perkins may rely on certificates of officers of Boeing, certificates of officers, directors and stockholders of Vertol, opinions of associate counsel, and such other evidence as they may deem necessary or desirable.

(e) *Tax Rulings.* There shall have been received a written ruling or rulings of the Internal Revenue Service satisfactory to Messrs. Holman, Mickelwait, Marion, Black & Perkins and Messrs. Barnes, Dechert, Price, Myers & Rhoads, to the following effect: (1) no gain or loss will be recognized to Vertol upon consummation of the sale of its assets and business as provided in this agreement, (2) no gain or loss (except gain or loss on the sale of fractional interests in Boeing capital stock) will be recognized to the holders of Vertol's common stock upon distribution to them in liquidation, in exchange for such stock, of shares of capital stock of Boeing, as contemplated hereby, (3) the assets acquired by Boeing will have a basis to it not less than the basis such assets had to Vertol at the Closing Date, and (4) subsection (g) of Section 421 of the Internal Revenue Code of 1954 is applicable to the assumption by Boeing of the stock options referred to in paragraph 4(g).

(f) *Opinion of Vertol's Counsel.* Vertol shall have received from its counsel an opinion, which may be based upon the opinion of counsel for Boeing, evidence referred to in such opinion, and such other evidence as they may deem to be necessary or desirable, to the effect set forth in subparagraphs (1), (4), (7) and (8) of paragraph 7(d); and an opinion of said counsel for Vertol which may be based, in whole or in part, on a ruling or rulings of the Internal Revenue Service, to the effect set forth in clauses (1), (2) and (4) of paragraph 7(e).

(g) *Dissenting Stockholders.* The aggregate number of shares of common stock of Vertol the holders of which shall have objected to the sale by Vertol herein provided for and shall have demanded payment for their shares within the period required by law shall not exceed 15,000 and such period shall have expired.

(h) *Financial Statements of Boeing as of December 31, 1959.* The financial statements of Boeing delivered pursuant to paragraph 3(a) shall not indicate any material adverse change in the financial condition, business or operations of Boeing during the period from September 30, 1959, to December 31, 1959, except as permitted by paragraph 1(c).

(i) *Status of Boeing Stock.* The shares of Boeing stock to be delivered to Vertol pursuant to this agreement shall be validly issued, fully paid and non-assessable, and such shares shall have been duly authorized for listing on the New York Stock Exchange upon official notice of issuance.

**8. Closing Date and Termination.** The Closing Date shall be March 31, 1960, provided, however, that either Boeing or Vertol, by written notice or notices to the other from time to time, shall be entitled to postpone the Closing Date to a date not later than April 30, 1960. If due to causes beyond the control of either Boeing or Vertol, the closing is not consummated on a date selected in accordance with the foregoing, this agreement, unless mutually extended in writing by Boeing and Vertol, shall terminate without liability of any kind on the part of Boeing or Vertol.

**9. Closing.** The closing under this agreement shall take place at 10 A. M. Eastern Standard Time on the Closing Date at the offices of Vertol in Morton, Pennsylvania, and the following thereupon shall occur:

(a) *Conveyance and Transfer by Vertol.* Vertol will deliver or cause to be delivered to Boeing

(1) Warranty deeds of all real property and interests therein, duly executed by Vertol and in proper form for recordation, evidence of title insurance as provided in paragraph 6(g), assignments of all of Vertol's leases described in Schedule 1 and the consents to such assignment of the lessors thereunder,

and any novation agreements received from the United States Government and agencies and instrumentalities thereof, as described in paragraph 4(c);

(2) Duly and properly executed instruments transferring title to all stock in Allied Research Associates, Inc., Canadian Vertol Aircraft, Ltd., and Vertol International Corporation from Vertol to Boeing, and upon request of Boeing duly and properly executed resignations of the officers and directors of said corporations from their respective offices;

(3) Instruments of assignment and transfer of all other property of Vertol of every kind and description and wheresoever situated, including among other things, all its interest in accounts receivable, bank accounts, cash, choses in action, rights under agreements, trademarks, trade names, patents, patent applications, patent licenses, shop rights, and other property, tangible or intangible, except for the Liquidation Account and such claims and other property which under paragraph 5(a) are not to be transferred on the Closing Date, and except such property as shall be conveyed or transferred to Boeing by the other instruments of conveyance and transfer specifically provided for in this paragraph.

Simultaneously with the consummation of the transfer, Vertol will put Boeing (through its officers, agents and employees) into full possession and enjoyment of all of Vertol's properties and assets.

(b) *Assumption of Liabilities by Boeing.* Boeing will execute and deliver to Vertol an instrument of assumption of the liabilities of Vertol to be assumed by Boeing as provided in paragraph 5(c).

(c) *Payment.* Boeing will issue and deliver shares of its capital stock as provided in paragraph 5(d), and will pay the federal issuance tax in connection therewith.

(d) *Assumption of Stock Options.* Boeing will execute and deliver to Vertol an instrument of assumption of Vertol's existing stock options as provided in paragraph 5(e).

**10. Dissolution of Vertol.** Promptly after the Closing Date, Vertol will take all action required to change its name to one which does not include the word "Vertol", and to distribute, in the manner further provided below, to the holders of Vertol's common stock, pro rata, all of its right, title and interest in and to the shares of capital stock of Boeing to be received by Vertol under this agreement, in exchange for the surrender by such stockholders of such common stock of Vertol for cancellation; and as soon as may be practicable after the Closing Date to dissolve and terminate its corporate existence. Promptly upon receipt by Vertol of the stock certificates for such shares of capital stock of Boeing, Vertol will deliver them to Girard Trust Corn Exchange Bank, for distribution to the holders of common stock of Vertol, in exchange for their certificates for shares of common stock of Vertol. Each share of common stock of Vertol will be treated equally in such exchange. Fractional shares of capital stock of Boeing will not be issued in connection with such exchange, but in lieu thereof, the bank referred to above will be instructed that it should, acting as the agent of each stockholder of Vertol who would otherwise be entitled to a fractional share of capital stock of Boeing in such exchange, and in accordance with instructions to be given by such stockholder, either (1) sell such stockholder's fractional share interest for his account and remit the net proceeds to him, or (2) purchase for his account a fractional interest to be combined with his fractional interest so as to make a full share and deliver the certificate therefor against payment for the fractional interest purchased.

From and after the Closing Date, Vertol will not engage in any business or other activity except as required to complete its liquidation and dissolution as provided herein, and all actions taken by Vertol after the Closing Date shall be subject to Boeing's approval.

**11. Further Assurance.** From time to time, at the request and expense of Boeing (whether at or after the Closing Date), and without further consideration, Vertol will execute and deliver such further instruments of transfer and will take such other action as Boeing reasonably may request in order more effectively to transfer any of the property to be sold hereunder, and will assist in the collection or reduction to possession of any such property.

**12. Form of Documents.** All instruments, certificates, opinions and other documents to be delivered under this agreement by either party to the other shall be in form satisfactory to counsel for the other party.

**13. Expenses.** Except as otherwise provided herein, Boeing and Vertol, respectively, will pay all costs and expenses of their performance of and compliance with all agreements and conditions contained in this agreement on their respective parts to be performed or complied with.

**14. Brokers.** Each of the parties represents that it has dealt with no broker or finder in connection with any of the transactions contemplated by this Plan and Agreement of Reorganization, and, insofar as it knows, no broker or other person is entitled to any commission or finder's fee in connection with any of such transactions.

**15. Amendment and Waiver.** The parties hereto may by mutual agreement amend this agreement in any respect, and either party hereto may (a) extend the time for the performance of any of the obligations of the other, (b) waive any inaccuracies in representations by the other contained in this agreement or in any document delivered pursuant hereto, (c) waive compliance by the other with any of the covenants contained in this agreement and performance of any obligations by the other, and (d) waive the fulfillment of any condition that is precedent to the performance by the party so waiving of any of its obligations under this agreement; but there shall be no amendment or waiver, unless approved by the Vertol stockholders as required by law, which would materially adversely affect the rights of holders of stock of Vertol with regard to (1) the number of shares of capital stock of Boeing to be issued and delivered by Boeing to Vertol pursuant to this agreement, or (2) the assumption of the liabilities of Vertol by Boeing, or (3) the distribution to Vertol's stockholders promptly after the Closing Date of shares of capital stock of Boeing in exchange for the surrender for cancellation of all of Vertol's outstanding common stock.

Any agreement on the part of either party for any such amendment, extension or waiver, shall be validly and sufficiently authorized for the purposes of this agreement if authorized or ratified by the Board of Directors or Executive Committee of such party, except as provided in the preceding paragraph.

**16. Nature and Survival of Representations.** The representations and warranties made by Boeing and Vertol in this agreement, and their respective obligations to be performed under the terms hereof at or prior to the closing hereunder, shall expire with, and be terminated and extinguished by, closing on the Closing Date, such closing to be conclusive evidence that each party hereto is fully satisfied with the facts constituting the basis of the representations and warranties of the other party and with the performance by such other party of such obligations. This Section 16 shall have no effect upon the obligation of Boeing or Vertol to perform its undertakings hereunder to the extent that such undertakings are to be performed in whole or in part after the closing.

**17. Assignment and Parties in Interest.** This agreement shall not be assignable by either Vertol or Boeing without the consent of the other. Nothing in this agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this agreement. All the terms and provisions of this agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and permitted assigns of Vertol and Boeing.

**18. Notices.** All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class, registered mail, postage prepaid:

(a) If to Vertol, to

Vertol Aircraft Corporation
100 Woodland Avenue
Morton, Pennsylvania
Attention: John A. O'Hara, Secretary

or at such other addresses as Vertol may have furnished Boeing in writing, and

(b) If to Boeing, to

Boeing Airplane Company
P. O. Box 3707
Seattle 24, Washington
Attention: J. E. Prince, Secretary.

or at such other addresses as Boeing may have furnished to Vertol in writing.

19. **Counterparts.** This agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. **Bulk Sales Law.** Boeing hereby waives compliance by Vertol with the provisions of the Bulk Sales Law of any state, including Section 1403 of the Act of The Legislature of the Commonwealth of Pennsylvania of April 9, 1929, P. L. 343, as amended.

21. **Governing Law.** This agreement is being executed and delivered and is intended to be performed in the Commonwealth of Pennsylvania, and shall be construed and enforced in accordance with the laws of such State.

In Witness Whereof, the parties hereto have caused this agreement to be executed in their respective corporate names by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed and duly attested as of the day and year first above written.

(Corporate Seal)

Attest: J. E. Prince /s/
Secretary

BOEING AIRPLANE COMPANY

By William M. Allen /s/
President
(SEAL

(Corporate Seal)

Attest: John A. O'Hara /s/
Secretary

VERTOL AIRCRAFT CORPORATION

By Don R. Berlin /s/
President
(SEAL

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Mr. Allen stated the next matter was for the Board to make a determination of the fair value of the assets and business acquired from Vertol Aircraft Corporation as required by the provisions of the Indenture dated July 1, 1958 between the Company and the Chase Manhattan Bank relating to the Company's 4-1/2% Convertible Subordinated Debentures. He asked Mr. Haynes to review this subject.

Mr. Haynes stated that in order to protect the holders of the Convertible Subordinated Debentures against dilution of the value of the convertible features of the Debentures upon the issuance of additional shares of capital stock of the Company after the date of the Indenture, the Indenture provides that if any shares of stock are issued for a consideration less than $50 a share, an adjustment in the conversion rate may be required; that generally speaking, the formula in the Indenture provides for multiplying the number of shares outstanding at any one time by $100 and dividing such figure by the total consideration received for all such shares; that if the quotient obtained is more than 2.05, an adjustment in the conversion rate is required; that for the purpose of making such a calculation all shares of stock outstanding on the date of the Indenture are deemed to have been issued for $50 per share; and that shares of stock issued under the Stock Option and Incentive Compensation Plans are excluded from the calculation.

Mr. Haynes further stated that for the purpose of recording the acquisition of the assets and business of Vertol on the books of the Company, the transaction is treated as a pooling of interests which means that the assets, liabilities, and earned surplus of Vertol are recorded on Boeing's books at the same figures at which they were carried on the Vertol books as of the date of acquisition; and that the portion of Vertol's net worth represented by its capital stock and capital surplus accounts will be recorded in Boeing's capital stock account at the same amount at which these accounts were carried on the books of Vertol as of the date of acquisition.

Mr. Haynes pointed out that the net book value of Vertol's tangible assets was approximately $13,799,000 on September 30, 1959 and approximately $13,460,000 on March 31, 1960; and that certain adjustments would be made to these figures when recorded on Boeing's books.

Mr. Haynes also pointed out that the book value of the tangible assets of Vertol is not necessarily indicative of the fair value of all of the assets and business of Vertol because it does not take into consideration any possible value the tangible assets may have in excess of their depreciated book values, nor does it take into account the value of drawings, data and other intangible assets not recorded on its books or the value of Vertol's business as a going concern.

Mr. Haynes stated, however, that the book value of the tangible assets will be used for the purpose of computing the Pennsylvania State Excise Tax payable as a condition to qualification to do business in Pennsylvania.

Mr. Haynes then stated that several methods are commonly used as a basis for valuing the assets and business of a company acquired as a going concern in exchange for shares of stock, and that such methods include the market value of the stock issued for the business, independent appraisals and capitalization of earnings.

Mr. Haynes stated that no detailed appraisal of either the tangible or intangible assets of Vertol had been made as a part of this transaction; but that an appraisal of tangible assets of Vertol was made as of December 1958 by Manufacturer's Mutual Fire Insurance Company and, based on that appraisal with appropriate adjustments to date to give effect to additions and retirements of certain assets, it would appear that the appraised value of the tangible assets should be approximately $17,350,000 without including any amount for drawings and technical data which are presently insured at a replacement value of approximately $6,000,000.

Mr. Haynes then pointed out that the average earnings of Vertol for the five-year period ending December 31, 1959 were approximately $1,550,000; and that if it could be assumed that the assets and business of Vertol would produce similar earnings in future years, a fair value of such assets and business based on such average earnings capitalized at 6%, a rate commonly used for this purpose, of approximately $17,000,000 would be reasonable. Mr. Haynes pointed out, however, that as the directors were advised at prior meetings, it is not anticipated that the immediate prospective earnings of Vertol for the next several years will approach this average.

Mr. Haynes then stated that with regard to the use of the market value of Boeing stock as a basis for valuing the assets and business of Vertol, the directors were well aware that there had been considerable fluctuations in the market during the period of time that the acquisition of Vertol had been under consideration; that between July 1 and December 31, 1959 the highest closing market price on the New York Stock Exchange was $36 in July and the low was $30 in September; that the closing price on November 13, the day the management of the Company was authorized by an informal meeting of the directors to make a firm offer to Vertol, was $33-5/8; that the highest closing price since that time was $35-3/8 on November 27; that the closing price on January 18, 1960, the date the directors formally authorized the execution of the Plan and Agreement of Reorganization was $30-5/8; and that the closing price on March 30, the day before the closing date, was $24-1/8.

Mr. Haynes then pointed out that the November 13 closing market price of $33-5/8 multiplied by the total number of shares that may be issued as a result of the agreement and adjusted for the amount the Company will receive upon the exercise of Vertol stock options would produce a value of approximately $15,250,000. By the same type calculation a value based on a closing market price of $24-1/8 on March 30 would be $10,831,000.

Mr. Haynes stated that as between these two dates he believed the market value on November 13 was more appropriate because that was the day on which the directors and the management of the Company decided to proceed with the transaction and that changes in the price of the stock of the Company since that time have resulted from various factors which are unrelated to the fair value of the assets and business of Vertol.

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Mr. Haynes then stated that while he believed a determination of fair value of the assets and business of Vertol based on either the adjusted appraisal figures or a capitalization of past earnings would be reasonable and supportable, it was his recommendation that the Board determine the fair value of the assets and business acquired from Vertol on the basis of the market value of Boeing's stock on November 13, 1959 which would be $15,250,000 plus the amount to be received upon the exercise of the Vertol stock options. He stated that he had reviewed this matter with Harriman and Ripley, Inc., and that they had expressed the view that this was a fair and reasonable method of arriving at a fair value of the assets and business of Vertol as a going concern. He stated he had also reviewed the matter with counsel for the Company who had expressed the opinion that in a matter such as this the directors have broad powers and that if the directors are fully informed as to the facts, a determination of "fair value" made by the directors in good faith based on the market value of the Company's stock on November 13, 1959, probably could not be challenged successfully.

Upon question from one of the directors, Mr. Haynes stated that a calculation had been made as to the minimum value that could be placed on the assets of Vertol without an adjustment in the conversion price being required; and that such figure as adjusted for the amounts to be received upon the exercise of options (approximately $644,000) was approximately $15,216,000.

After discussion the following resolution was moved, seconded and unanimously adopted:

> RESOLVED, that for the purpose of Section 4.05(b)(ii) of the Indenture dated July 1, 1958 between the Company and the Chase Manhattan Bank relating to the Company's 4-1/2% Convertible Subordinated Debentures, the fair value of the consideration received, namely the assets and business of Vertol Aircraft Corporation as a going concern, for the issuance of 448,954 shares of capital stock of the Company and the agreement to issue 23,782 additional shares of capital stock of the Company upon the exercise of the presently outstanding stock options of Vertol, is hereby determined to be $15,250,000 plus the amount to be received upon the exercise of the Vertol stock options.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the month of April, 1960

BOEING AIRPLANE COMPANY

(Exact name of registrant as specified in charter)

7755 E. Marginal Way, Seattle 24, Washington

(Address of principal executive offices)

**Item 2. Acquisition of Assets**

Effective 12:01 a.m. April 1, 1960, the Company acquired substantially all of the property and assets of Vertol Aircraft Corporation (Vertol), including all of the stock of Vertol's subsidiaries, in exchange for the issuance to Vertol of 448,954 shares of the Company's capital stock of the par value of $5 per share, and the assumption by the Company of substantially all of the liabilities of Vertol, pursuant to a Plan and Agreement of Reorganization between the Company and Vertol, dated as of January 18, 1960.

The number of shares of the Company's stock issued for the property and assets of Vertol was equal to two shares of the Company's stock for each three shares of Vertol stock outstanding on the closing date. The basis for determining such number of shares of the Company's stock was reached as a result of arms length negotiation. All relative factors were taken into consideration, including sales, earnings and dividend records of the two companies over a period of years, their general financial condition, their immediate and long range prospects and the value of their properties.

As part of the consideration for the acquisition of the property of Vertol, the Company assumed the obligations of Vertol with respect to all stock options remaining outstanding under the Vertol Stock Option Plan on the closing date and such stock options were amended to provide for the issuance, upon exercise in accordance with the terms thereof, of two shares of the Company's stock in lieu of each three shares of Vertol stock. Vertol had outstanding on the closing date options held by 57 of its officers and employees entitling them to purchase 35,709 shares of Vertol stock which by reason of the substitution will entitle such option holders to purchase 23,782 shares of the Company's stock for a price per share of 150% of the option price per share of Vertol Stock, subject to adjustments for fractional shares.

The property and assets were acquired directly from Vertol. Neither the Company nor any of its directors or officers nor any associate of any of its directors or officers had any interest, direct or indirect, in the assets or business of Vertol.

The acquisition of the property and assets of Vertol by the Company will be accounted for as a pooling of interests on the books of the Company.

The assets acquired have been used by Vertol for the design, development and manufacture of transport-type helicopters and the performance of research and development work in the general field of vertical take-off and landing and short take-off and landing aircraft. Vertol also designs and produces components for use in such areas as electronics, nucleonics, aircraft, missiles and high altitude platforms. The Company intends to continue the present operations of Vertol as the Vertol Division, Boeing Airplane Company.

The two active wholly owned subsidiaries of Vertol, Canadian Vertol Aircraft, Ltd. and Allied Research Associates, Inc., are located respectively at Arnprior, Ontario, Canada, and Boston, Massachusetts. The former is primarily engaged in

**Item 2.** (Continued)

the overhaul, modification, field service and spare parts support of helicopters operating in Canada, while the latter carries on research and development in the fields of nucleonics, meteorology, aerodynamics, vibration and weapon systems analysis. The Company intends to continue the present operations of the subsidiaries as separate corporations, subsidiary to the Company.

**Item 7.** Increase in Amount of Securities Outstanding

The number of shares of capital stock of the Company of the par value of $5 per share reported outstanding as of December 31, 1959 was 7,521,911 shares. On April 1, 1960, 448,954 shares were issued to Vertol in consideration for the property and assets of Vertol as set forth above, increasing the number of shares outstanding on such date to 7,970,865 shares.

By resolution the Board of Directors on March 7, 1960, directed that authorized but unissued stock be used to the extent necessary in addition to already issued and outstanding stock in the payment of awards under the Company's Incentive Compensation Plan for the year ended December 31, 1959. Accordingly, 782 shares were issued on April 29, 1960 as of March 7, 1960.

Accordingly, the total number of shares outstanding on April 30, 1960 was 7,971,647.

No cash proceeds resulted from the above transaction and underwriters were not required.

**Item 10.** Restatement of Capital Share Account

The stated value of the Capital Stock Account of the Company as of the close of business on December 31, 1959 was $119,945,754.

By reason of the issuance of stock to Vertol as set forth above, the balance in the Capital Stock Account of Vertol and the balance in the Capital in Excess of Par Value of Capital Stock Account of Vertol was added to and recorded in the Company's Capital Stock Account. The amount of increase in the Company's Capital Stock Account, after adjustment for a dissenting Vertol stockholder owning 356 shares, was $6,594,885.

By reason of the issuance of stock under the Company's Incentive Compensation Plan, the Capital Stock was increased by $20,136 which amount represents the approximate aggregate market value of the 782 shares issued as of March 7, 1960.

In accordance with the foregoing on April 30, 1960, the stated value of the Capital Stock Account of the Company was $126,560,775.

Item 13. Financial Statements and Exhibits

(a) Financial Statements

The following financial statements are filed as a part of this report and by this reference incorporated herein:

(1) Uncertified balance sheet of the Vertol Aircraft Corporation as of March 31, 1960.

(2) Consolidated Statement of Income and Expense (Profit and loss statement) of Vertol Aircraft Corporation for the three-month period ending March 31, 1960.

(3) Certified balance sheet and profit and loss statements of Vertol Aircraft Corporation for the last three full fiscal years (1957, 1958, 1959)

(b) Exhibit

Plan and Agreement of Reorganization by and between Boeing Airplane Company and Vertol Aircraft Corporation.

## SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Boeing Airplane Company
(Registrant)

/s/ H. V. Kohr
H. V. Kohr
Assistant Secretary

May 10, 1960

## (Illegible) Conversion Rate Debentures Into Common Stock Vertol Acquisition

| | Shares Outstanding | Shares x $100 | Consideration Received | Conversion Rate |
|---|---|---|---|---|
| Basic Rate Per Indenture | 7,037,447 | $703,744,700 | $351,872,350 | 2.00 |
| 4% Stock Div. 11/4/58 | 281,537 | 28,153,700 | 16,012,417 | |
| 2% Stock Div. 11/2/59 | 147,489 | 14,748,900 | 4,479,979 | |
| (Illegible) | 7,466,473 | $746,647,300 | $372,364,746 | 2.0052 |
| Add Vertol Book Value 11/30 | 448,729 | 44,872,900 | 13,889,425 | 2.0492 |
| | 7,915,202 | $791,520,200 | $386,254,171 | |
| Add Vertol Book Value 11/30 adjusted (13,889,425-910,669) | 448,729 | 44,872,900 | 12,978,756 | 2.0541 |
| | 7,915,202 | $791,520,200 | $385,343,502 | |
| Add Vertol Stock Market Value 1/31/60 673,093 shares at 19 | 448,729 | 44,872,900 | 12,788,767 | 2.0551 |
| | 7,915,202 | $791,520,200 | $385,153,513 | |
| Add-Boeing shares at / /60 448,729 shares at 31 7/8 | 448,729 | 44,872,900 | 14,303,237 | |
| | 7,915,202 | $791,520,200 | $386,667,983 | |
| Add (illegible) market price (illegible) - adjustment in conversion rate 673,093 shares at 21 875 | 448,729 | 44,872,900 | 14,723,909 | 2.0448 |
| | 7,915,202 | $791,520,200 | $387,088,655 | |
| Add Vertol at lowest price which requires adjustment in (illegible) rate 673,093 shares at 21.75 | 448,729 | 44,872,900 | 14,639,773 | 2.0452 |
| | 7,915,202 | $791,520,200 | $387,004,519 | |

Illegible

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# 4½% CONV. SUB DEBENTURE CONVERSION RATE

| | SHARES [illegible] | SHARES X $100 | [illegible] REQUIRED | CONVERSION RATE |
|---|---|---|---|---|
| BASIC RATE PER INDENTURE | 7057747 | 705774700 | 3[illegible]1230 | 20000 |
| 4% STOCK DIVIDEND 11/4/58 (SECTION 4.05(b)(iv)) | 281537 | 28153700 | [illegible] | |
| SUBTOTAL | 7318784 | 731878400 | 36[illegible] | 19895 |
| 2% STOCK DIVIDEND 11/2/59 | 147189 | 14718900 | 4419?.?9 | |
| SUBTOTAL | 7466613 | 746661300 | 3723[illegible]46 | 20032 |
| VERTOL: | | | | |
| ACQUISITION (SEC. 4.05(b)(ii)) | 449,552 | | | |
| STOCK OPTIONS (NET OF FRACTIONS) | 23,184 | | | |
| | 472,736 | | | |
| | 7939209 | 793920900 | | |
| ALTERNATES: | | | | |
| (1) LOWEST VALUE WITHOUT CHANGE | | | 15,860,923<br>38245,[illegible]9 | 2.0[illegible]99 |
| (2) VERTOL NET WORTH (EST. 3/31/60 [illegible]) | | | 13[illegible]<br>3[illegible]69,144 | 20570 |
| (3) BOEING STOCK AT 3/31/60 = 24 X 472,736 = | | | 11,345,664<br>38271,410 | 20691 |
| (4) BOEING STOCK AT 3/13/60 = 33 5/8 X 472,736 = | | | 15,995,748<br>38024,494 | 20498 |
| (5) BOEING STOCK AT 3/30/60 = 24 1/8 X 472,736 = | | | 11,404,756<br>38376,502 | 2.06[illegible]1 |
| (6) 449,55[illegible] AT 15,750,00 PLUS OPTIONS (644,514) = | | | 15,254,514<br>38,259,260 | 2.04[illegible] |

15,860,923
644,514
15,216,409

449,552 = 10,774,896

449,764 = 15,976,278

449,55[illegible] = 10,[illegible]

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March 31, 1960

Boeing Airplane Company
7755 East Marginal Way
Seattle 24, Washington

Attention: Mr. Harold W. Haynes, Controller

Dear Sirs:

You have asked that we give you our views as to certain aspects of the method used by Boeing Airplane Company (hereinafter called "Boeing") in determining, for the purposes of Section 4.05 (b)(ii) of the Convertible Subordinated Debenture Indenture Agreement dated July 1, 1958, the fair value of the consideration received for the shares of Boeing stock issued in connection with the acquisition of the business of Vertol Aircraft Corporation (hereinafter called "Vertol"). The pertinent provision of such Indenture Agreement is as follows:

> "In the case of the issuance of shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors."

It is our understanding that in its determination of the fair value of the consideration received in the Vertol acquisition, Boeing intends to use November 13, 1959 as the date for establishing the market value of the 448,954 shares of its stock which are to be issued in the acquisition. This, we are told, was the date upon which the Boeing management reached a decision to enter into negotiations with Vertol on the basis of two shares of Boeing in exchange for three shares of Vertol. You have requested that we consider whether, in our opinion, November 13, 1959 is the appropriate date for such purposes or whether March 31, 1960, the date of closing, should be used.

It is our belief that November 13, 1959 is clearly the appropriate date for establishment of the market value of the Boeing stock. Since that was the date as of which the actual decision to commence negotiations on the two-for-three basis was reached, the Boeing management must have had in mind the then current per share market value of the Boeing stock in arriving at the number of shares which in their judgment it was appropriate to issue for the Vertol business. The date of closing, on the other hand, is merely a date of convenience, arbitrarily selected in order to allow sufficient time for the working out of the details of the transaction and for compliance with the various legal requirements as to the period of notice required, etc.

In this connection, it is of interest to note the rules of the New York Stock Exchange relating to the determination of the market value of stock dividends declared by companies whose shares are listed on the Exchange. Under the Exchange rules, such determination is always made as of the date of declaration of the stock dividend rather than as of the payment date. It seems to us that the November 13, 1959 and the March 31, 1960 dates under discussion herein are in many respects similar to dividend declaration and payment dates.

We also understand that in its determination of fair value Boeing will include an amount equal to the difference between (a) the November 13, 1959 market price of the Boeing stock to be issued to Vertol employees under the provisions of Vertol's employee stock option plan and (b) the amounts to be received upon exercise of such options. You have asked whether or not we consider such inclusion fair and equitable under the circumstances of the Vertol acquisition.

We are told that at the time of the commencement of negotiations with Vertol, shortly after the November 13 decision date, no formal proposal was made for an exchange of Boeing options for Vertol options. The basis for the exchange of options was arrived at later in the negotiations. It is obvious, however, that from the outset Boeing had to be prepared to give options on its shares to all or most of the employees who held Vertol options. Otherwise Boeing would risk losing what may be perhaps the most valuable of the Vertol assets being acquired, namely the skills and technical abilities of its key personnel. As a practical matter, even if Boeing did not give options in exchange for those held by Vertol employees, the latter could, in effect, cause the issuance of the additional Boeing shares anyway. Because of the method by which the transaction is being effected (a purchase of assets via the issuance of Boeing stock to Vertol), exercise of the Vertol options by the holders thereof would increase the outstanding Vertol shares and thereby increase the number of Boeing shares required to be issued on the two-for-three basis.

Thus, in reaching its November 13 decision as to what it should pay for the Vertol assets, Boeing had to give recognition to the additional shares issuable, one way or the other, to the Vertol option holders. It seems appropriate to us, therefore, that for the purposes of the fair value determination, the Boeing shares issuable under the options granted to Vertol employees should be valued at the same price as the shares which are being issued directly to Vertol, rather than at the exercise prices of the options. Thus we believe that Boeing is justified in including in its fair value determination the difference between the

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November 13, 1959 market value of the shares issuable under option and the amounts to be received upon exercise thereof.

Very truly yours,

HARRIMAN RIPLEY & CO., INCORPORATED

By: E. J. Morehouse
Vice President

EJM:pcs

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TOUCHE, ROSS, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

1411 FOURTH AVENUE

SEATTLE 1, WASHINGTON

April 4, 1960

RECEIVED
APR [illegible]

Mr. H. W. Haynes, Controller
Boeing Airplane Company
Seattle, Washington

Dear Mr. Haynes: -

On March 31, 1960 Boeing Airplane Company issued 445,9[illegible] shares of its capital stock and agreed to issue 23,04[illegible] additional shares of its capital stock upon the exercise of presently outstanding stock options of Vertol Aircraft Corporation in exchange for substantially all of the assets and the business of Vertol. We have previously issued to you our opinion that the acquisition meets the requirements for a pooling of interests in accordance with the concepts set forth in Accounting Research Bulletin issued by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. We understand the acquisition is to be so recorded in the accounting records of the company.

The indenture dated July 1, 1958 between Boeing Airplane Company and the Chase Manhattan Bank relating to the company's [illegible] convertible subordinated debentures contains provisions for evaluating the necessity of adjusting the conversion rate in the event that capital stock of the company is issued for a consideration in whole or in part other than cash. Subsection 4.0[illegible](c)(ii) of the indenture provides as follows:

> "(ii) In the case of the issuance of shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors."

We understand that you plan to present to the Board the various methods commonly used as a basis for valuing the assets and the business of a company acquired as a going concern in exchange for shares of capital stock. These methods are as follows:

1. The fair market value of the capital stock issued.
2. The appraised value of the tangible assets acquired.
3. Capitalization of prior earnings of the company.
4. Present book value of the assets acquired.

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The application of the above methods results in the determination of approximately the same "fair value". Because of the fluctuations in the market price of the company's stock between the date negotiations were authorized by the Board of Directors and the closing date, we believe the market value of the company's stock on the date negotiations were authorized is more indicative of what the Board of Directors believed to be the "fair value" of the assets and business acquired from Vertol.

We understand that you intend to recommend that the Board of Directors base their determination of "fair value" of the assets and business of Vertol on the market price of Boeing capital stock on November 1[illegible], 1959, the date on which the Directors of Boeing Airplane Company made their decision to offer capital stock of the company in exchange for the assets and the business of Vertol.

We can see no reason why this would not be a fair and equitable manner of determining the "fair value" of the assets and the business of Vertol Aircraft Corporation.

Yours very truly,

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26

April 4, 1960

Mr. H. W. Haynes, Controller
Boeing Airplane Company
Seattle, Washington

Dear Mr. Haynes:

On March 31, 1960 Boeing Airplane Company issued 443,954 shares of its capital stock and agreed to issue 23,043 additional shares of its capital stock upon the exercise of presently outstanding stock options of Vertol Aircraft Corporation in exchange for substantially all of the assets and the business of Vertol. We have previously issued to you our opinion that the acquisition meets the requirements for a pooling of interests in accordance with the concepts set forth in Accounting Research Bulletins issued by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. We understand the acquisition is to be so recorded in the accounting records of the company.

The indenture dated July 1, 1958 between Boeing Airplane Company and The Chase Manhattan Bank relating to the company's 4½% Convertible Subordinated Debentures contains provisions for evaluating the necessity of adjusting the conversion rate in the event that capital stock of the company is issued for a consideration in whole or in part other than cash. Subsection 4.05(b)(ii) of the indenture provides as follows:

> "(ii) In the case of the issuance of shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors."

We understand that you plan to present to the Board the various methods commonly used as a basis for valuing the assets and the business of a company acquired as a going concern in exchange for shares of capital stock. These methods are as follows:

1. The fair market value of the capital stock issued.
2. The appraised value of the tangible assets acquired.
3. Capitalization of prior earnings of the company.
4. Present book value of the assets acquired.

The application of the above methods results in the determination of approximately the same "fair value". Because of the fluctuations in the market price of the company's stock between the date negotiations were authorized by the Board of Directors and the closing date, we believe the market value of the company's stock on the date negotiations were authorized is more indicative of what the Board of Directors believed to be the "fair value" of the assets and business acquired from Vertol.

We understand that you intend to recommend that the Board of Directors base their determination of "fair value" of the assets and business of Vertol on the market price of Boeing capital stock on November 13, 1959, the date on which the Directors of Boeing Airplane Company made their decision to offer capital stock of the company in exchange for the assets and the business of Vertol.

We can see no reason why this would not be a fair and equitable manner of determining the "fair value" of the assets and the business of Vertol Aircraft Corporation.

Yours very truly,

27

June 2, 1960
Ref: 1-9100-2-18

To: H. W. Haynes

Subject: Purchase of Boeing Debentures on the Open Market

We have made an analysis of the cash effect on the company if it were to purchase some of its 4-1/2% convertible debentures currently being traded at from $88 to $90.

It has been determined that any gain arising from the purchase of debentures on the open market will have to be treated as ordinary income.

There is a permissive exclusion (Sec. 1017 - 1954 Code) when the net gain is applied in reduction of the tax base of property held by the taxpayer. Such reduction would be applied against specific property if the bonds were originally issued for a specific purpose. If no specific property is identified with the bond issue, then the base for all property of the taxpayer would have to be reduced proportionately.

In our case, the cost and questionable advantage of reducing the tax base for all our assets would indicate that taking the exemption would not be advantageous.

In measuring the net gain from the purchase of debentures at current market prices, the applicable bond expenses not yet amortized are deductible. So, for practical evaluation purposes the amount of net gain can be measured against the added cost to the company of higher true bank interest rates, assuming that such rates will continue to be higher than the debenture rate of 4-1/2%. Also, we would assume that the company will continue to have borrowing requirements at least to the extent of monies spent to purchase the debentures on the open market.

Our analysis shows that at a 6-1/2% true bank rate of interest the net after tax gain from the purchase of our 4-1/2% debentures at less than face value would be outset as follows:

| Debenture Price | Number of Years to Offset Gain |
|---|---|
| $95.00 | 4th year |
| $90.00 | 8th year |
| $85.00 | 15th year |

However, because of our sinking fund requirements, the gains on amounts invested up to the payments due under the agreement can be measured in terms of the number of years until such payments become due. This would mean that we would break even on the first $1,750,000 of debentures purchased now at a price of $90.00, assuming true interest rates would continue at 6-1/2%, as the first sinking fund payment is due in 1968, eight years from now. The above analysis would indicate that we could expect a net gain of approximately $36,000 per million dollars invested at a current price of $85.00 per debenture.

The closer we come to the time when sinking fund payments must be made, the more advantageous it will be to purchase debentures on the open market. This would apply both to the amount of gain and the degree of risk involved by reason of changing bank interest rates.

Also, it should be noted the current market price is based on a relatively small volume of transactions ($7,000 to $10,000 per day) most likely representative of distress sales. Any large purchaser, such as ourselves, would undoubtedly have to bid much higher to materially increase the offerings for sale.

A more compelling consideration for not entering into a purchase program at this time would be the effect of such a program on our bank relations. I would assume that the credit line banks would feel some concern if we entered into a program of paying off our long term debt with short term borrowings without showing a positive and substantial gain.

This analysis covers the 4-1/2% convertible debentures only. Specific calculations were not made for the 5% Sinking Fund series of debentures for the following reasons:

1. Current market prices not readily determinable (not listed on the stock exchange).

2. Most holders are insurance companies and other large institutional investors (fewer distress sales).

3. Interest rate differential not as large (less gain potential).

4. Conversion feature not present (assuming our policy is additional equity investment is not desired).

5. The same general conclusions are applicable as to the 4-1/2% debentures

## Conclusions

At the present time, it would not seem advisable to attempt to purchase our debentures on the open market. The probable gain is limited. The risks for interest rates remaining at their present level are substantial. The probability of the market price remaining down if we started buying is doubtful. The uncertainties of our credit requirements over the next few years, as well as probable adverse bank reaction to our taking risks in this field, all point to the conclusion that no action should be taken at this time.

Paul S. Ford

PSF:mh

1-9500-3-1442

June 16, 1960

**To:** E. M. Nelsen
H. W. Haynes

**Subject:** Purchase of 4½% Convertible Subordinated Debentures

Our most recent cash forecast indicates that borrowings from banks will decline over the next year or two with a possibility of full pay-off of the banks for some period of time during 1961 or 1962 should certain contingencies not develop. It also appears that if our programs go as planned, including a decision to go ahead with the 727 program, borrowings from banks will be required on an increasing scale from 1962 through 1965. It does not appear possible to retire much (if any) of our long term debt during this time period from other than borrowed funds.

The terms on both of our long term debt issues are more favorable than we could obtain under today's conditions, both as to interest rates and conversion prices, with the result that the bonds are trading at discounted prices. This poses the question therefore, of whether or not it is desirable to attempt to purchase some or all of this debt on the open market at reduced prices and obtain the cash benefits therefrom. A determination has to be made first that the long term debt is still a necessary part of our financial structure and second, if the cash saving as a result of the purchase at discounted prices is more important than the additional financial strength provided by the long term debt.

The 5% straight debenture issue is favorable to the company both in terms of interest rate and restrictions and does not contain a conversion privilege. It would be difficult to estimate the price at which these bonds could be purchased since by far the large portion of the securities are held in relatively large quantities by institutions and trading has been over the counter in small blocks. Whereas some portion of this issue could be purchased below par, the difference would certainly not be significant enough for us to give consideration to their purchase. Therefore, our consideration should be limited to the convertible issue.

In a memorandum from Ford to Haynes the net after tax gain of retiring this issue at prices ranging from $85.00 to $95.00 was set forth. The present day price of these bonds, with daily sales of from $15,000 to $30,000, is approximately $88.00. As you are aware, this price is more closely related to the current market interest rate than to its conversion price since the latter is so much above market. It is also based on small daily sales. Present indications are that interest rates are easing. This, together with an increased buying effort on our part, would probably have a considerable effect in upping the bond prices.

Therefore if we assume that we could purchase the bonds at $90 and further if we assume that we will be in a borrowing position at least until 1965, the calculated net cash gain of purchase would be offset during the time period through 1965 by reason of higher interest costs of bank borrowings. If because of market conditions we could purchase the bonds at $85, under the same assumptions as listed above the net cash gain by 1965 would be approximately $1,000,000. It seems at this point that a market price of $90 or higher is more realistic.

In dealing with this question as to whether or not we need the additional financial strength provided by these subordinated bonds, we should evaluate it from three points of view; (1) our estimated money requirements, (2) the potential dilution to the present stockholders, and (3) the affect on our credit line banks.

As stated above, over the near term our borrowings will reduce with the possibility of full bank pay-off in 1961 or 1962. Borrowings from banks for the longer term appear to be required on an increasing scale. At best, forecasting for any period beyond one or two years is difficult and subject to many changes. We can provide for planned programs or desired levels of effort but it is difficult to provide for items such as, for example, (1) substantial amounts of financing for commercial sales, (2) possibilities of a supersonic transport, (3) new business acquisitions, (4) expanded facilities programs, and (5) unforseen problems in manufacturing or other areas. The potential cash requirements of any of the above events are great. It would seem that to the extent possible we should keep ourselves in a position of financial strength and not place unnecessary reliance on banks for all of our financing. In my opinion our cash requirements are sufficiently high and unpredictable that the potential net cash gain of retiring some or all of the issue is not great enough to outweigh the advantage of having the subordinated debt.

If all of the bonds are ultimately converted to stock the dilution of present stockholders would only amount to approximately 7½% which does not seem great enough to be of concern as long as there is a potential need for the bonds. If this dilution does seem unnecessary as time goes on, we always have the right to call the bonds and if done so before the market price reaches the conversion price, conversions would be nominal.

Unless our arguments for net cash gain or against unnecessary dilution are convincing, our banks would probably not react favorably to our retiring the subordinated debt without paying them off, particularly when we anticipate our cash requirements at a later date to start up again. We have been borrowing continuously and in substantial amounts from the banks since 1956. Whereas it is not of paramount importance in our case, it would be desirable if we could pay them off if only for a short time.

We should continue to review this question and as our situation changes our position with respect to these bonds might be different.

OEM

O. E. Melby

DRAFT 6/23/61

[illegible] 601 [illegible]
KS 4/9/69

## THE BOEING COMPANY
## 4-1/2% SUBORDINATED CONVERTIBLE DEBENTURES

With forecasted capital resources substantially in excess of requirements, serious consideration should be given to whether it is in the best long range interests of the Company to embark on a program to redeem the 4-1/2% Subordinated Convertible Debentures. If the decision is that such objective is desirable, then timing becomes a most important factor. This reasoning is predicated on the fact that (1) the consensus of the investment community is that over-all security price levels will continue to rise, and (2) the improved earnings picture of Boeing, which may very well become apparent in the latter part of this year, should, along with the general security price level increase, result in the market price of Boeing moving up to or exceeding the conversion price of $50.00 per share, or the redemption price of $52.25 per share.

Current forecasts indicate that a significant cash surplus will be generated starting in the latter half of 1962, with such surplus exceeding $100 million in 1963. This surplus, when combined with available bank credit, could result in the Company having at its disposal capital resources in excess of currently forecasted requirements. Such excess could range from $250 million upward in 1963 and subsequent years.

It should be recognized that such estimates are based on current financial forecasts and do not include contingency provisions for potential plant and equipment expenditures above those currently forecasted, abnormal problems developing on the Model 727 and Model 107 programs with the attendant adverse impact on costs and earnings, requirements for substantial expenditures above current levels for research and development (including prototypes) to maintain a competitive position, or the undertaking of substantial leasing or other financing programs with respect to commercial jet transports. These factors are discussed in detail in a later section of this memorandum.

Further, it is noted that the financial forecast assumes a continuing high level of military and commercial business, with the substantial working capital necessary to support such programs on the one hand, and the substantial earnings that would be generated on the other.

## BACKGROUND

The Company's 4-1/2% Convertible Subordinated Debentures, due July 1, 1980, were issued in 1958 in the principal amount of $30,597,600. The basic conversion rate is two shares of Capital Stock for each $100 principal amount of Debentures, and no adjustment of the conversion rate has been required. Conversions of debentures to date have aggregated $52,600, with the principal amount currently outstanding totaling $30,545,000. Unamortized expense pertaining to the debentures approximates $400,000. Shares reserved for conversion currently stand at 610,900.

Under the restrictive covenants of the 5% Sinking Fund Debentures, the aggregate amount available at May 31, 1961, for payment of cash dividends, purchase of capital stock, or retirement of Convertible Debentures, was approximately $75,000,000.

Annual sinking fund requirements begin in 1968 and amount to $1,750,000, less credits for previously converted debentures.

Current market prices for Boeing stock and convertible debentures are as follows:

| | | 1/1/61 - 6/27/61 Range | |
|---|---|---|---|
| | June 27, 1961 | Low | High |
| Stock | 45-3/8 | 35-1/2 | 48-1/4 |
| Convertible debentures | 111-3/4 | 101 | 121-3/4 |

Attached as Exhibit A is a schedule setting forth the price range and trading volume for the debentures since issuance.

Article 5.01 of the Indenture covering the 4-1/2% Convertible Subordinated Debentures entitled "Right of Redemption and Redemption Prices" provides that:

"Debentures may be redeemed in the manner, on the dates, and at the redemption prices specified in this Section 5.01:

(a) The Company at its option may redeem at any time (provided that at the time of first publication of the notice of redemption pursuant to Section 5.02 it is not in default in the payment of any Senior Indebtedness, and that at such time the making of such redemption would not result in a default in any covenant contained in any Indenture or other instrument pursuant to which Senior Indebtedness is outstanding) all, or from time to time any part of, the Debentures upon payment of the following redemption prices (expressed in percentages of the principal amount): If redeemed during the 12 months' period ending July 1, 1962 - 104-1/4."

If the Company should elect to exercise the right to redeem, it must publish prior to the date fixed for redemption, a notice of such redemption at least twice in an authorized newspaper, the first such publication to be not less than 30 days and not more than 90 days before the date fixed for redemption. The redemption date need not conform to the January 1 and July 1 interest payment dates.

## FINANCIAL FORECAST QUALIFICATIONS

With regard to the qualifications previously expressed as to potential surplus of capital resources, the following observations are important.

### FACILITIES

As to facilities expenditures, the financial forecast includes provision for gross expenditures of $178.0 million for the 1961 - 1965 period. Depreciation and amortization is estimated at $116.0 million with the net cash requirement totaling $64.0 million for the period. Additional requirements relating to facilities necessary to support higher levels of business on certain programs and the purchase of government owned facilities could generate an additional $50.0 million of gross expenditures. If such requirements did develop, depreciation during the 1961 - 1965 period would reduce the additional net cash requirement to approximately $40.0 million.

### COMMERCIAL PROGRAM COSTS

Indications are that both the Model 727 and Model 107 programs are experiencing significant problems of the type generally expected during the phases of the programs currently being performed. Division Managers responsible for the programs feel that the amounts provided in the financial forecasts are generally adequate to meet such problems. However, because of the extreme financial risks on such programs, substantial contingency must be considered for financial planning purposes.

### EXTRAORDINARY RESEARCH AND DEVELOPMENTAL EXPENSES

Provision for expenditures of approximately $30.0 million per year on company sponsored research and developmental programs is included in the financial forecast. To maintain a competitive position it may be necessary to increase R&D expenditures over forecasted levels, such increase possibly involving one or more prototype programs. The cost of such programs could conceivably range from $25.0 million after tax upward.

## COMMERCIAL PROGRAM FINANCING

Provision is made in the forecast for additional financing of commercial customers on a level generally comparable to the financing requirements experienced to date. Because of extreme competition it may prove desirable, if not mandatory, to assume additional financing of commercial jet transports either directly or through lease arrangements. Illustrative of this is the current discussions with regard to TWA. Again a contingency provision must be included for this possibility in our overall financial planning.

## BANK CREDIT AVAILABILITY

The retirement of the convertible debentures would reduce net working capital by $30.0 million. Since working capital is considered one of the more important yardsticks used by banks in establishing credit, the impact of this action on our bank borrowing potential must be considered.

Generally speaking we should be able to borrow from banks on open lines of credit in amounts equal to or slightly greater than our working capital. Our estimate of working capital per the Division's most recent business plans is approximately $225.0 million at 12/31/67. On this basis we should reasonably expect that we could obtain bank borrowings in the neighborhood of $250.0 million assuming that the utilization of available cash was for other working capital purposes and our inventories were principally tied to military production or commercial production against contract. Under normal considerations the redemption of the debentures would reduce this amount by $30.0 - $40.0 million.

In addition, the four conditions discussed above, namely (1) additional capital expenditures; (2) commercial adversities; (3) extraordinary research and development expenditures; and (4) commercial financing; could have an impact on our working capital and borrowing potential. Without evaluating the possibilities of these events occurring, the impact on cash and borrowing potential is summarized below.

(000 Omitted)

| | Cash | Working Capital | Cash and Borrowing Potential |
|---|---|---|---|
| Estimate 12/31/63 per Business Plan | $150,000 | $225,000 | $400,000 |
| Retirement of Convertible Debentures | (30,000) | (30,000) | |
| | $120,000 | $195,000 | $340,000 |
| Possible Developments | | | |
| Commercial Financing | (40,000) | (40,000) | |
| Additional Capital Facilities | (40,000) | (40,000) | |
| | $ 40,000 | $115,000 | $200,000 |

Commercial adversities and increased R&D expenditures are not quantifiable but the after tax (50%) amount of such occurrences would be a reduction of cash and working capital.

As noted above, our business plan indicates cash of $150.0 million and borrowing potential of approximately $250.0 million as of December, 1963; a potential total of $400.0 million that is surplus to our needs. Retirement of the debentures would under the same ground rules reduce the total to approximately $340.0 million.

If additional capital facilities expenditures or substantial commercial transport financing are required, then the capital resources available for meeting commercial program adversities, extraordinary research and development expense or other unknown situations amounts to approximately $200.0 million.

The above is predicated on using open lines of credit to satisfy borrowing requirements and that working capital is one of the more important yardsticks in determining credit availability.

There obviously are other factors such as net worth, earnings potential, contracts on order, etc. which would influence the banks' decisions on upper credit limits. Possibilities for borrowing other than under lines of credit also exist, such as term bank loans, which might develop larger borrowing potential. However for evaluating this decision borrowing potential should be considered on that basis which our past experience indicates as being sound, namely working capital.

HARRIMAN & RIPLEY OPINION

Messrs. Ripley, Berry, and Morehouse, of Harriman & Ripley, after reviewing the matter concluded that the redemption of the Convertible Debentures would not adversely affect the Company's standing with the investment community, nor would it adversely affect the Company's ability to at some point in the future acquire additional long term capital. They did indicate, however, that there would undoubtedly be some short-lived discontent on the part of certain of the debenture holders.

In addition they pointed out that the proposed action would be quite unique in that a review of the last five years indicates there is no precedent for a corporation's calling Convertible Debentures when the debentures were selling at a premium above redemption price and the stock was selling significantly below the redemption price. This fact did not, however, change their opinion that if such action was sound from a business standpoint there was no reason from an investment banking standpoint to not proceed with the program.

With regard to the impact of the redemption notice on the price of Boeing stock, it was the opinion of Harriman & Ripley representatives that standing alone such notice would have a favorable impact but the magnitude thereof would not be material. This opinion was based primarily on the fact that potentially the redemption would remove possible dilution and would indicate a degree of confidence on the part of management as to the future.

OTHER FACTORS

A risk that should be fully understood concerns stock price levels during the period from the date of the call notice to the redemption date. If during such period the market for Boeing moved up to a point fairly close to the $52.25 redemption price, conversions could be forced.

This would not only defeat our basic objective of avoiding dilution but would also result in our having to capitalize the unamortized debt expense which at May 31, 1961, amounted to approximately $425,000.

It is to be noted that if redemption is accomplished, the unamortized debt expense and the redemption premiums would be deductible for Federal income tax purposes on a current basis.

TIMING

With regard to timing, the redemption notice could be filed early in the week of July 10, with the redemption date sometime in the week of August 14. In addition to the impact of the general stock market performance during such period, a number of announcements could affect the price of Boeing stock. Such announcements include the six-months' earnings release and a possible final decision on the B-52 program. If the over-all market is up, the B-52 decision is favorable, and the reaction of the investment community to our earnings statement is favorable, the price of the stock by August 14 could very well approach the redemption price.

An alternate schedule would be to defer issuing a redemption notice until several days after the six-months' earnings statement release. This would provide the opportunity to see what the reaction of the market was to such release and undoubtedly the B-52 procurement matter would have been finalized by that time. If the market price in early August is not significantly higher than the current level, and the B-52 decision has been made, then the risk of the price moving up to the redemption price in the following thirty-day period would generally be tied to over-all market performance.

## CONCLUSION

In conclusion, our forecasts indicate that capital resources are available to meet all known and potential requirements except for a somewhat catastrophic situation developing on the Model 727 and Model 107 programs. Further, it would appear that if requirements other than to meet 727 and 107 adversities are generated that exceed available capital resources, the nature of such requirements would in all likelihood be such that the long term capital market would be available to us.

A decision to not redeem the convertible debentures would therefore appear to be tied principally to protection against an extremely adverse situation developing on the 727 and 107 programs.

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HRK has copy

Pltf Ex 3 Contd.

RS 4/9/69

July 20, 1961

**MEMORANDUM FOR FILE**

Subject: Consideration of Call of the Convertible Debentures

Some time about a month prior to the June 26th meeting of Directors Messrs. Allen, Haynes and myself had been discussing from time to time the advisability of calling the convertible debentures. Previously there had been some consideration of purchasing the debentures on the open market, but the preceding few months the price had gone from below par to substantially above par, and this, of course, did not appear feasible. It was concluded to discuss the matter informally at the Directors' meeting on the 26th, and subsequent to the meeting Mr. Haynes prepared a memorandum on the subject which we sent to Art Forward and received back his comments, both by long hand letter and in a telephone conversation with Mr. Allen. Mr. Forward was, in general, opposed to this course of action, but in part based on a misunderstanding, I thought, of what the real objective was. At least as far as I was concerned this was not a move aimed primarily at reducing our long-term debt, but rather to avoid prospective dilution of the equity position of the stockholders.

Had we made the call and been successful in our objective, so far as I was concerned, I would not have been opposed to obtaining further long-term debt if such a course appeared feasible and the market was right. However, in the period immediately following the Directors' meeting the market continued to improve, and Messrs. Allen, Haynes and myself came to the conclusion that in view of the market position (which was around 50) that a call of the debentures would undoubtedly have been interpreted as an indication of substantially greater confidence by the management in an improvement of future earnings than had previously been estimated to be the case by the investment analysts, and, as a result, the price of the stock would quite likely have exceeded the premium conversion point of $52-plus and would have resulted in a substantial portion being converted rather than surrendered. It was accordingly concluded by the three of us that any further consideration at this time was unwarranted.

J. E. Prince

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-9500-9-353

March 10, 1961

To: H. W. Haynes
E. M. Nelsen
O. E. Melby

Subject: Bond Indenture Restrictions

The following calculations relating to the restrictive covenants of the Bond Indentures are furnished for your information. Financial data as of December 31, 1960 is utilized where appropriate.

A. Aggregate amount available for payment of cash dividend, purchase of capital stock, or retirement of Convertible Debentures:

| | | | |
|---|---|---|---|
| Basic Allowance | | | $ 10,000,000 |
| Net Earnings: | | | |
| 1958 (after 1955 Renegotiation Allowance of $2,750,000) | | $ 26,610,013 | |
| 1959 (after 1955 Renegotiation Allowance of $379,894) | | 12,055,860 | |
| 1960 (per Annual Report) | $24,462,100 | | |
| Add Vertol Loss for 3 Mo. | 473,030 | | |
| Add ARA Loss for 3 Mo. | 3,740 | 24,938,870 | |
| Total Consolidated Net Earnings Subsequent to 12/31/57 | | | 63,604,743 |
| Net consideration as determined by the Board of Directors in connection with the issue of Capital Stock for the Vertol Corp. (448,954 shares) | | | 15,250,000 |
| Proceeds from issue of stock for Incentive Awards | | | |
| 1958 | | $ 3,050,553 | |
| 1959 | | 2,189,037 | |
| 1960- Treasury Stock | $294,426 | | |
| Unissued Shares | 20,136 | 314,562 | 5,554,152 |
| | | | $ 94,408,895 |
| Less Purchases of Stock: | | | |
| 1959 | | $ 374,464 | |
| 1960 | | 366,608 | (741,072) |
| TOTAL FUNDS AVAILABLE FOR DIVIDENDS | | | $ 93,667,823 |

(Continued on Page 2)

29.

| | | |
|---|---|---|
| TOTAL FUNDS AVAILABLE FOR DIVIDENDS - (Carried Forward) | | $ 93,667,823 |
| Less Cash Dividends Paid: | | |
| 1958 | $ 7,016,727 | |
| 1959 | 7,360,826 | |
| 1960 | 9,052,905 | (23,430,458) |
| BALANCE AVAILABLE FOR CASH DIVIDENDS, ETC. | | $ 70,237,365 |
| Earnings less Dividends 1-1/61-3/31/61 — | | 5,746,458 |
| | | 75,983,823 |

B. The Indenture by definition limits the aggregate percentages of Limited Stock Dividends to 12% and to date we have utilized 6% of this figure (4% in 1958 and 2% in 1959). In addition, the Indenture limits the classification of a stock dividend as a Limited Stock Dividend to the extent that it is earned. The following schedule indicates the funds available for a Limited Stock Dividend at year end:

| | | | |
|---|---|---|---|
| Net Earnings- | | | |
| 1958 (after 1955 Renegotiation Allowance of $2,750,000) | | $ 26,610,013 | |
| 1959 (after 1955 Renegotiation Allowance of $379,894) | | 12,055,860 | |
| 1960 (per Annual Report) | $24,462,100 | | |
| Add Vertol Loss for 1st 3 months | 473,030 | | |
| Add APA Loss for 1st 3 months | 3,740 | 24,938,870 | |
| Total Earnings Subsequent to 12/31/57 | | $ 63,604,743 | |
| Less Cash Dividends: | | | |
| 1958 | $ 7,016,727 | | |
| 1959 | 7,360,826 | | |
| 1960 | 9,052,905 | (23,430,458) | |
| FUNDS AVAILABLE FOR LIMITED STOCK DIVIDEND | | $ 40,174,285 | |
| Less Limited Stock Dividends to date: | | | |
| 1958 (4%) | $16,012,417 | | |
| 1959 (2%) | 4,479,979 | (20,492,396) | |
| BALANCE AVAILABLE FOR LIMITED STOCK DIVIDEND | | $ 19,681,889 | |

C. The conversion rate calculation to date is as follows:

| | Shares Outstanding | Shares x $100 (A) | Consideration Received (B) | Conversion Rate (A) ÷ (B) |
|---|---|---|---|---|
| Basic Rate per Indenture | 7,037,447 | $703,744,700 | $351,872,350 | 2.0000 |
| 4% Stock Dividend 11/4/58 Section 4.05(b)(iv) | 281,537 | 28,153,700 | 16,012,417 | |
| Sub-Total | 7,318,984 | $731,898,400 | $367,884,767 | 1.9895 |
| 2% Stock Dividend 11/2/59 Section 4.05(b)(iv) | 147,489 | 14,748,900 | 4,479,979 | |
| | 7,466,473 | $746,647,300 | $372,364,746 | 2.0052 |
| Vertol-Acquisition (Section 4.05(b)(ii) | 448,954 | 44,895,400 | 15,250,000 | |
| Stock Option (Section 4.05(b)(v) | 23,782 | 2,378,200 | 644,514 | |
| | 7,939,209 | $793,920,900 | $388,259,260 | 2.0440 |

Per the Indenture, it is not necessary to adjust the conversion rate unless it would increase the rate by at least one-twentieth of a share.

D. Additional Funded Debt Allowable:

| | | |
|---|---|---|
| 1. | Under 5% Sinking Fund Indenture | $112,000,000 (a) |
| 2. | Under 4-1/2% Convertible Subordinated Indenture | $117,800,000 (b) |

(a) Limitation applies to additional senior indebtedness only.
(b) Limitation applies to all additional funded debt except that which is subordinated to the 4-1/2% Debentures.

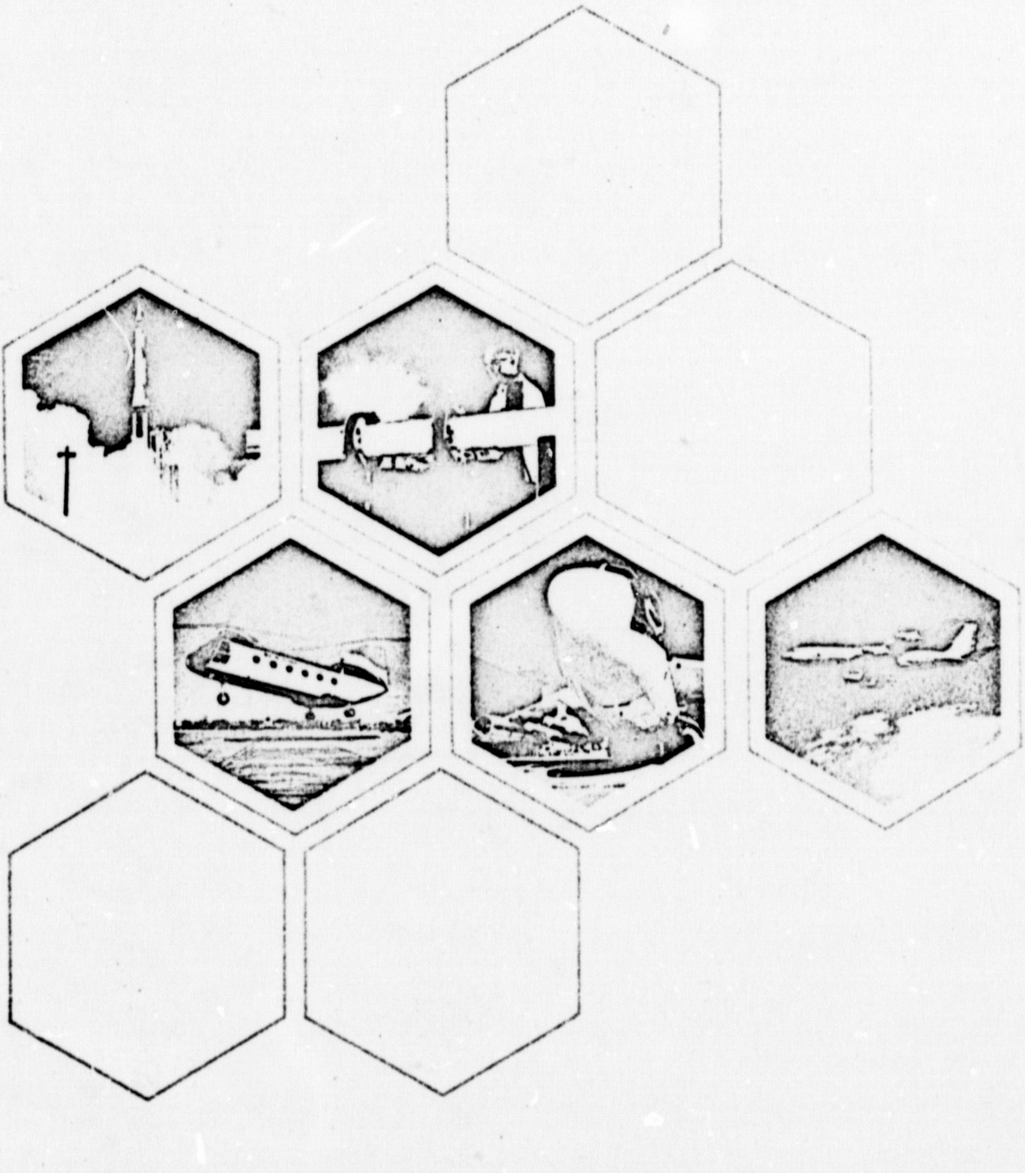
X

E. As of February 28, 1961, $52,600 principal amount of Convertible Subordinated Debentures had been converted into 1,052 shares of Capital Stock. The last conversion by a Debentureholder was in June of 1959.

L. E. Filion

# BOEING / 1960

ANNUAL / REPORT



# Boeing 1960 Annual Report

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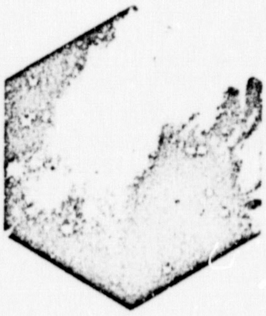

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**THE COVER: Five areas of Boeing effort are represented by (left to right) a Minuteman firing, a Vertol 107 helicopter, a shock tube experiment, the B-52H bomber and a 720B turbofan jet airliner.**

Annual and special meetings of Boeing stockholders will be held at the offices of the company, Seattle, Washington, on May 2, 1961. Formal notices of the meetings, the proxy statement and form of proxy will be sent to stockholders about April 3.

# Highlights

| **Operating Summary** | **1960** | **1959** |
|---|---|---|
| Sales | $1,554,572,612 | $1,648,802,758 |
| Earnings before taxes on income | $51,762,[illegible]0 | $26,427,402 |
| Taxes on income | $27,300,000 | $13,684,000 |
| Net earnings | $24,462,100 | $12,743,402 |
| Dividends paid | $9,052,905 | $7,360,826 |
| Net earnings per share | $3.07 | $1.60 |
| Dividends per share | $1.14 | $0.92 |
| Percentage of earnings before taxes on income to sales | 3.33% | 1.60% |
| Percentage of taxes on income to sales | 1.76% | 0.83% |
| Percentage of net earnings to sales | 1.57% | 0.77% |
| **Position at Year End** | | |
| Working capital | $200,069,655 | $204,799,940 |
| Ratio of current assets to current liabilities | 1.87 to 1 | 1.64 to 1 |
| Stockholders' investment | $236,993,425 | $221,560,408 |
| Number of shares outstanding | 7,971,647 | 7,970,640 |
| Stockholders' equity per share | $29.73 | $27.80 |
| Backlog | $2,139,000,000 | $2,018,000,000 |
| **General Information** | | |
| Total wages and salaries | $556,059,987 | $579,247,316 |
| Average number of employees | 81,925 | 92,542 |
| Gross additions to plant and equipment | $27,083,935 | $18,088,695 |

1959 data include Vertol Aircraft Corporation.

# Review of the Year

To the Stockholders:

During the year the company continued to strengthen its capabilities in the broad aero-space field and further improved upon its position as a leading supplier of commercial jet transports to the airlines of the world.

Although sales were slightly below those for the previous year, favorable developments on the commercial 707-720 jet transport programs resulted in a substantial improvement in earnings.

Sales for the year 1960 were $1,554,572,612. Net earnings of $24,462,100 were nearly double those of 1959 and were equivalent to $3.07 per share of common stock. Of major significance was the recognition in 1960 of the last impact on earnings of the loss on the 707-720 jet transports.

Major military programs contributing to 1960 sales included the B-52 bomber, KC-135 jet transport-tanker, Bomarc area defense missile, Minuteman ICBM and the Dyna-Soar space glider. Current military planning on these programs and firm orders for commercial jet transports indicate that 1961 sales should be somewhat above those reported for 1960.

During the year, the company made three major decisions with respect to the introduction of new commercial transport aircraft:

> The decision to proceed with production of the Model 727 short-to-medium range transport;
>
> The decision to offer a turbofan engine powered version of the 707 Intercontinental jet transport capable of efficient operation over very long distances;
>
> The decision to proceed with the production of the Boeing-Vertol Model 107 helicopter.

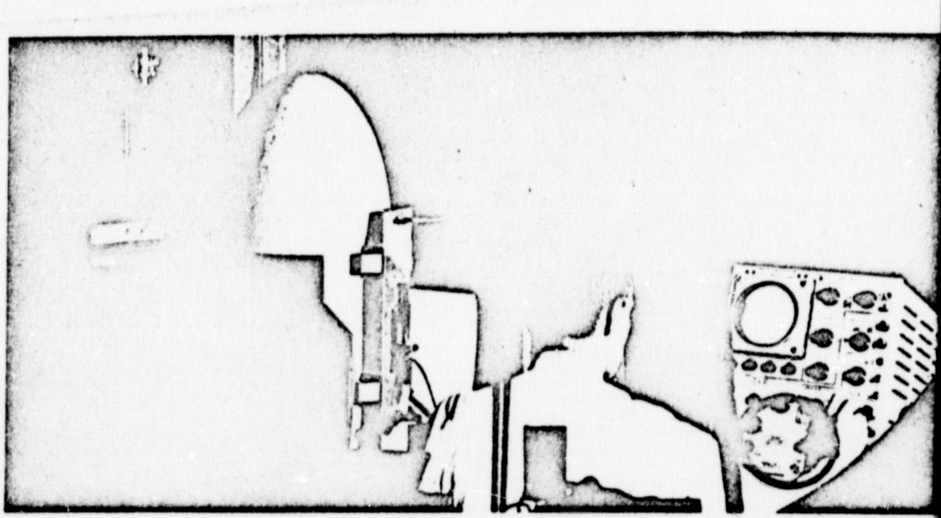
With the introduction of these aircraft, the company's product line of modern aircraft covers virtually all airline route requirements from the longest intercontinental routes to short inter-city and airport-to-city flights.

The receipt during 1960 of orders for 64 additional Model 707—720 aircraft and initial orders for 80 Model 727 aircraft attests the high degree of acceptance of Boeing jet transports by the airlines and the traveling public. Since the year's end, additional orders for nine 707-720s and twelve 727s have been received. Orders for the company's jet commercial transports now total 364 units, with 179 still to be delivered.

The Air Force announced in February of 1961 the award to Boeing of a program calling for production of 30 C-135 jet transports.

With the change in administration, the fiscal 1961-62 military procurement budget presented by the outgoing administration must be considered tentative and subject to change. This budget included substantial allocations for the Minuteman, KC-135 and Dyna-Soar programs.

Although present funding carries the B-52 and Bomarc programs into the latter months of 1962, there was no provision in the 1961-62 budget for either program. An evaluation of the improvements in performance and capability of the B-52 "H" model and the military requirements for it may, however, result in an extension of this important program. A reassessment of the threat posed by enemy long-range aircraft similarly could alter planning with respect to Bomarc defense missiles.



Wind sondes—an exotic area of Boeing research—are checked by Boston laboratory worker

The company is actively engaged in, or anticipating, competitions for a wide variety of military research, development and production contracts. Such competitions include two potentially large programs for the military forces: a supersonic short take-off and landing fighter-bomber and elements of Typhon, a Navy surface-to-air system for fleet protection against airborne threats, including missiles.

During the past few years considerable attention has been given to improvement of the organizational structure of the company. A number of important steps have been taken in the direction of decentralizing operating and new business development functions.

Subject to policy direction and over-all long term guidance from the headquarters office, division managers have responsibility for the exploitation of specific product objectives. This has permitted an effective allocation of managerial abilities among the divisions and, at the same time, the concentration of specialized technical and sales capabilities in vital new business areas.

Changes in product emphasis and organization structure to meet the new challenges of the air and space age have been accompanied by equally marked shifts in the composition of the firm's work force. Although employment remained relatively stable through the year—at approximately 82,000 employees—the trend continues toward a greater proportion of engineering, scientific and technical skills, with a decline in the number of production employees.

While the company has been actively competing on a current basis for additional military and commercial business, the challenges that face us by reason of major technological advancements relating to aero-space products and the substantially increased competition for such products have not gone unheeded.

The actions taken to extend the capability of the company in science and technology and to furnish modern facilities are discussed in later sections of this report. Your management is aware that the long-range success of the company depends heavily upon the two-fold capability of conceiving superior military and commercial products and of producing and delivering such products on schedule and at the lowest cost.

On January 23, 1961, the company sustained serious loss in the death of Paul Pigott, a member of the Board of Directors. Mr. Pigott, president of the Pacific Car and Foundry Co., first served on the Boeing Board from 1936 to 1942 and returned in 1957. In addition to his valuable contributions as a director of your company Mr. Pigott was known nationally for his activities in business, governmental and educational circles.

# Military Aircraft

While seemingly there may be an ebb and flow of international tensions, in reality the threat remains constant. Without doubt the existence of a strong United States counter-striking force has been the primary deterrent of any threat to the peace.

Principal arm of that counter force is the B-52, the only operational very long range jet bomber in the arsenal of the Strategic Air Command. The progress of the B-52 through eight minor and major model changes is characteristic of Boeing military programs and of aircraft and missile programs generally. Product growth is a highly significant factor.

The B-52, introduced into service in 1955, has now progressed to the "H" model which was phased into the Wichita Division production lines in 1960. The "H" model, equipped with turbofan engines, has an unrefueled range of more than 10,000 miles. Through its ability to carry and launch air-breathing Hound Dog or ballistic Skybolt missiles, in addition to conventional bombs, the B-52H will be able to strike targets 500 to 1,000 miles beyond its normal penetration range.

In addition to production of B-52s the Wichita Division has substantial contracts for in-plant and field modification work on B-52s already in service.

Current funding on the B-52 program will extend production well into 1962. The company is hopeful that there will be further extensions of this important program.

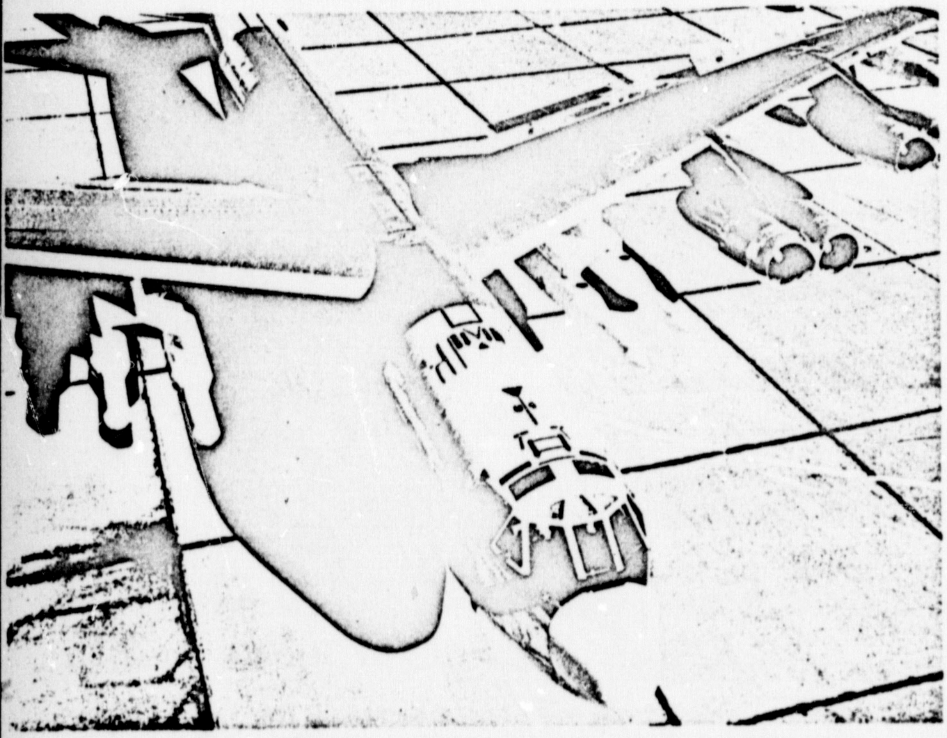
The KC-135 jet tanker-transport continues to be a most successful program. More than 400 KC-135s have been delivered to the Air Force by the Transport Division.

The mission reliability record of the KC-135 and its excellent operating characteristics have earned praise from top Air Force officers and individual pilots. In short, customer acceptance has been extremely high.

The 72 KC-135s provided for by fiscal 1961 funds will extend deliveries into the Fall of 1962. Provision for additional procurement is included in the 1961-62 fiscal budget.

As stated earlier, the Air Force ordered 30 C-135A aircraft—cargo-transport version of the KC-135—in February, 1961. They will be assigned to the Military Air Transport Service as rapid cargo, troop and medical evacuation carriers. Production on the order will extend into mid-year, 1962.

As to the future, we expect sales to continue for a number of years. Although the KC-135 now is used primarily as a tanker, the company contemplates other uses which would exploit its long range, speed and basic design adaptability. This plane could serve as a carrier or platform for reconnaissance or surveillance systems or, with some modifications, as an aerial tanker for the B-70 bomber.



The KC-135 tanker-transport has proved so satisfactory that new Air Force orders specify troop carriers of same basic design

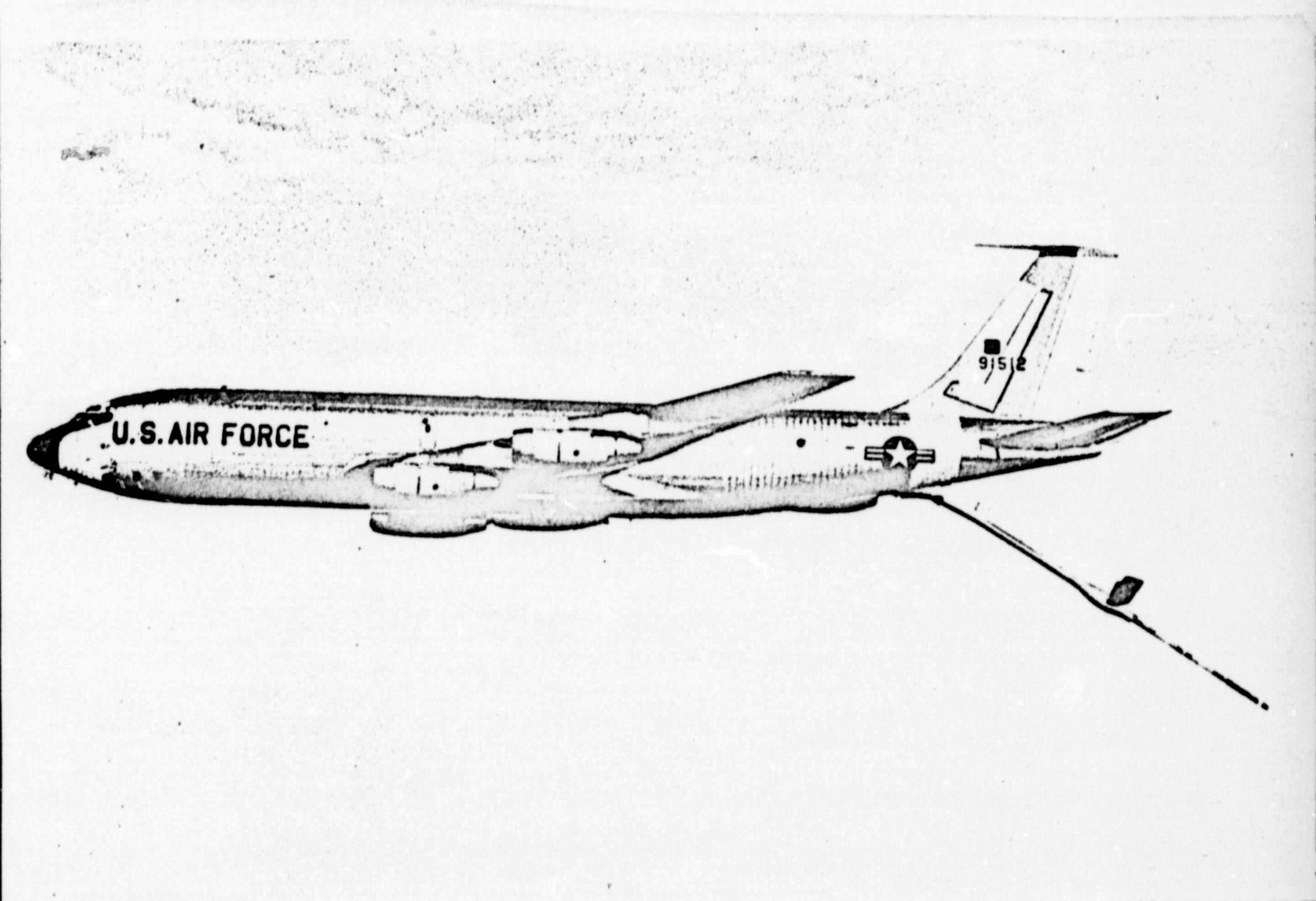
First line of national defense in the skies still is formed by Boeing B-52 bombers and KC-135s to provide fuel for world range

Missile platform as well as conventional bomber with turbo-fan engines, the B-52H rolled out at Wichita fitted with dummy Skybolt test missiles

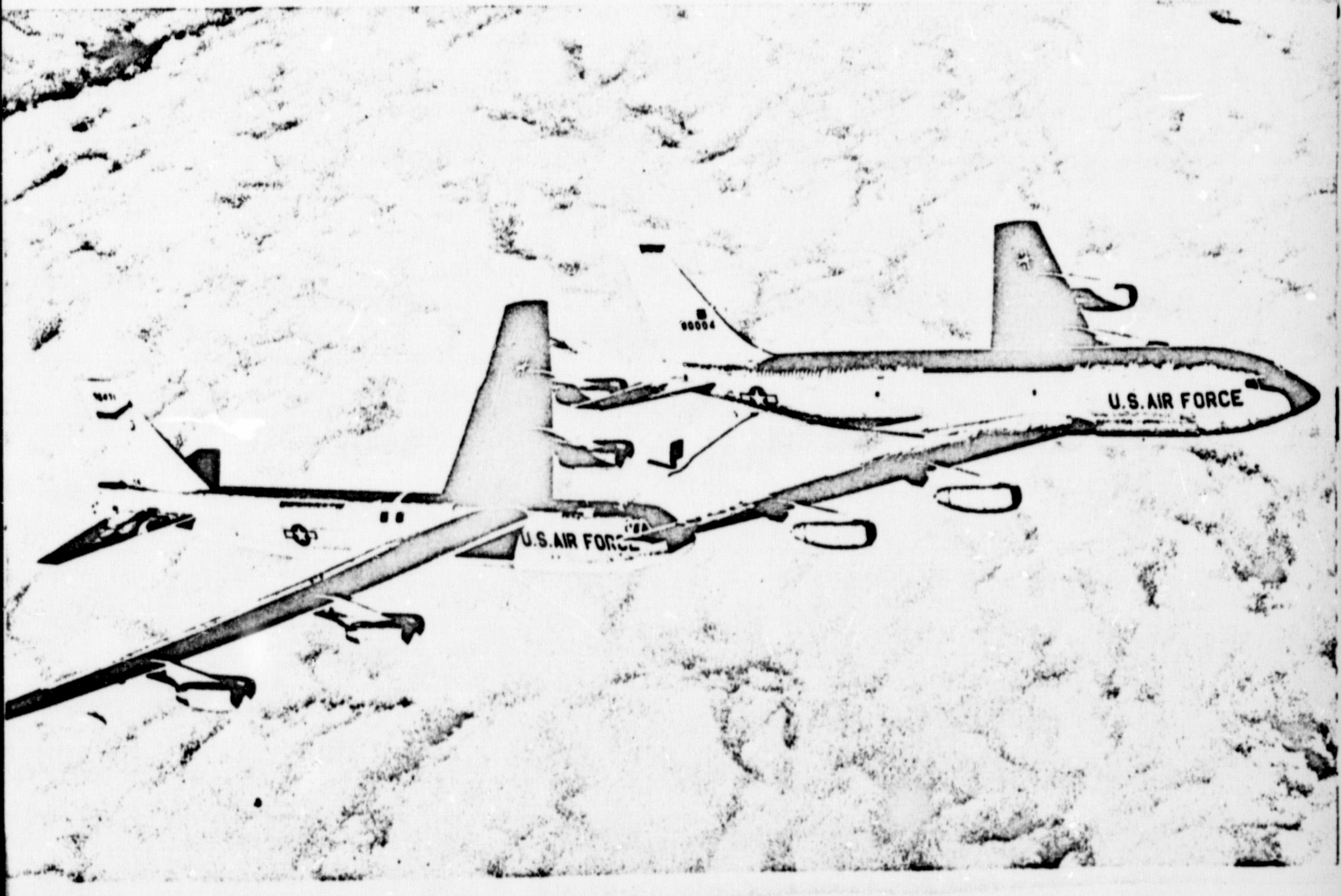
In the area of new military business, the company is prepared to enter competition on an advanced performance tactical fighter-bomber.

At the Vertol Division in Morton, Pennsylvania, work is in progress on 10 Chinook (YHC-1B and HC-1B) helicopters for The United States Army, which announced a production order for 18 more HC-1Bs in February, 1961. The Chinook is powered by two turbine engines and will carry 33 battle-equipped troops or 5¾ tons of materiel 100 nautical miles. A rear loading feature permits bulky cargo such as major components of the Pershing missile system.

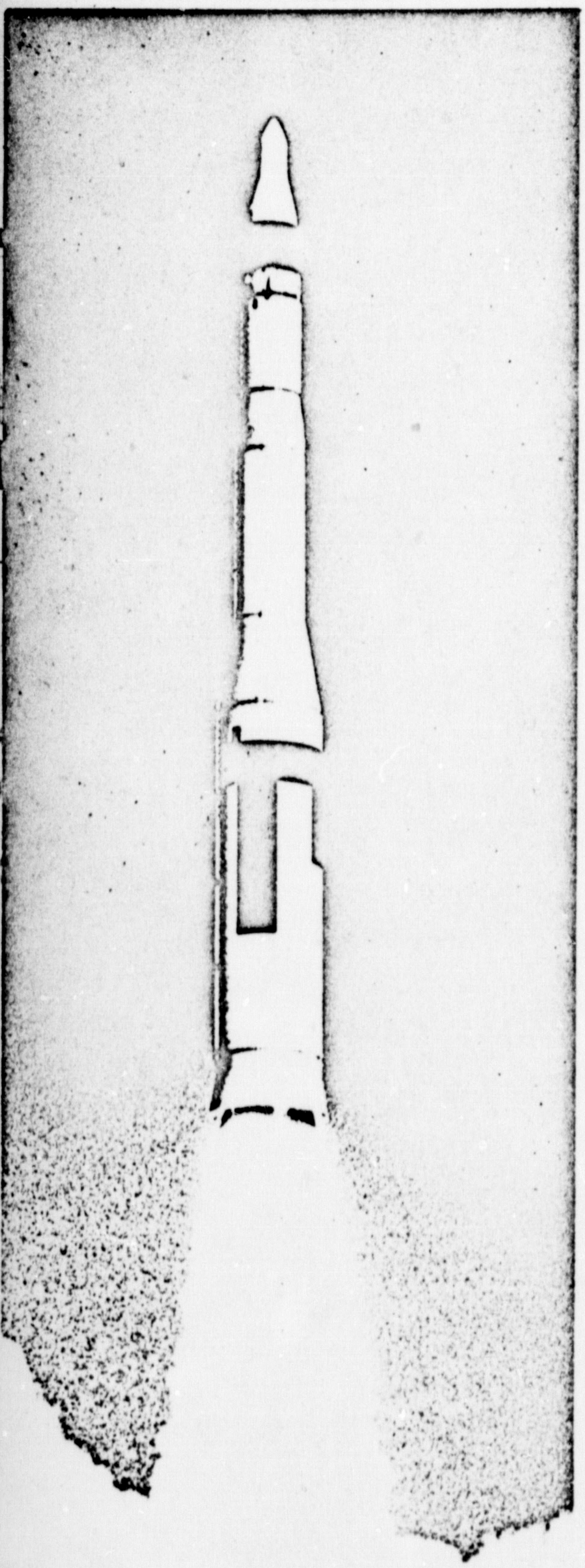
Also in February, the Navy announced that the Vertol Division had won its competition for an assault helicopter to be used by the U. S. Marine Corps. The division's entry was the twin-rotor, twin-turbine-powered Model 107. Potential applications are being demonstrated to other U. S. military services and discussions are underway with interested foreign military establishments.



U.S. AIR FORCE
91512



U.S. AIR FORCE
60004
U.S. AIR FORCE



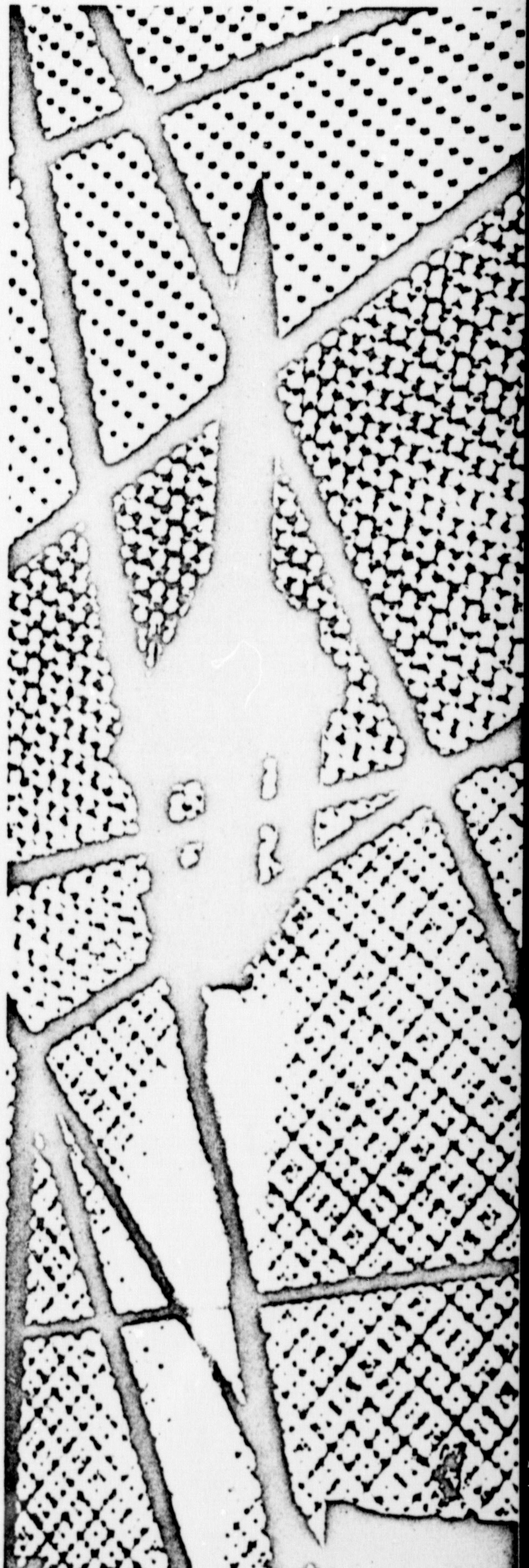
Minuteman, an intercontinental ballistic missile, passed its first firing test with unparalleled success

# Missiles and

"Urgency—with care" was the tone and substance of work on three major missile and space programs under way during 1960. They were Minuteman, intercontinental ballistic missile; Bomarc, area defense missile, and Dyna-Soar, research and development space glider.

Twenty seven months of intense effort on Minuteman culminated on Feb. 1, 1961, with successful test firing of the first missile from Cape Canaveral. Immediately following the firing, General Thomas D. White, Chief of Staff of the U. S. Air Force, wired Boeing: "The highly successful launch of the first Minuteman today is a significant demonstration of our progress in missile technology and particularly emphasizes the advances we have made in large solid propellant systems. This Minuteman flight was the first in the history of the free world in which a complete, multi-stage intercontinental missile, with all subsystems installed and operating, was successfully tested on its initial flight. These major accomplishments can be directly attributed to the superior technical planning and outstanding program management continuously demonstrated by the members of the military-industrial Minuteman team."

Minuteman will provide the nation with the deterrent force of nuclear-armed ballistic missiles capable of being launched from underground "silos", or from railroad trains constantly shifting on the nation's rail network. The potential enemy would find it extremely difficult to knock out Minuteman. Despite its sophistication, Min-



Bomarc defensive missiles
went into service to
protect East Coast cities
from airborne attacks

# Space Vehicles

uteman is the first ICBM system to reverse the constantly increasing cost trend of previous systems. Greater deterrent power at less cost will be achieved with Minuteman.

As associate prime contractor to the Air Force, Boeing is responsible for missile assembly and test and integration of the entire weapon system. The company designs communication, transportation and mobile launch systems and manufactures launch control, monitoring and security items, between-stage structures, test equipment and instrumentation. In addition, Boeing has a broad responsibility, covering a wide technological range, to assure that Minuteman bases become operational on schedule.

Assembly of the Minuteman missiles will be accomplished by the company in a government plant at Ogden, Utah. Preparations also are under way at Vandenberg Air Force Base, California, for future firings in the test series. Work is already proceeding at the first hardened and dispersed missile sites in Montana. As these various programs become fully activated, company personnel assigned to Minuteman will be stationed at a number of locations throughout the United States. In addition to its present work on Minuteman, the company is investigating advanced strategic missile systems based on Minuteman technology.

Bomarc, the area defensive missile system, is now installed and in operational readiness at five bases from Maine to Virginia. Five additional bases are being completed in New York, Michigan, Minnesota, Ontario and Quebec.

During the year, the Bomarc "B" missile—a longer-range, solid-fuel version—was approved for quantity production by the Air Force. First "B" missiles were delivered in November.

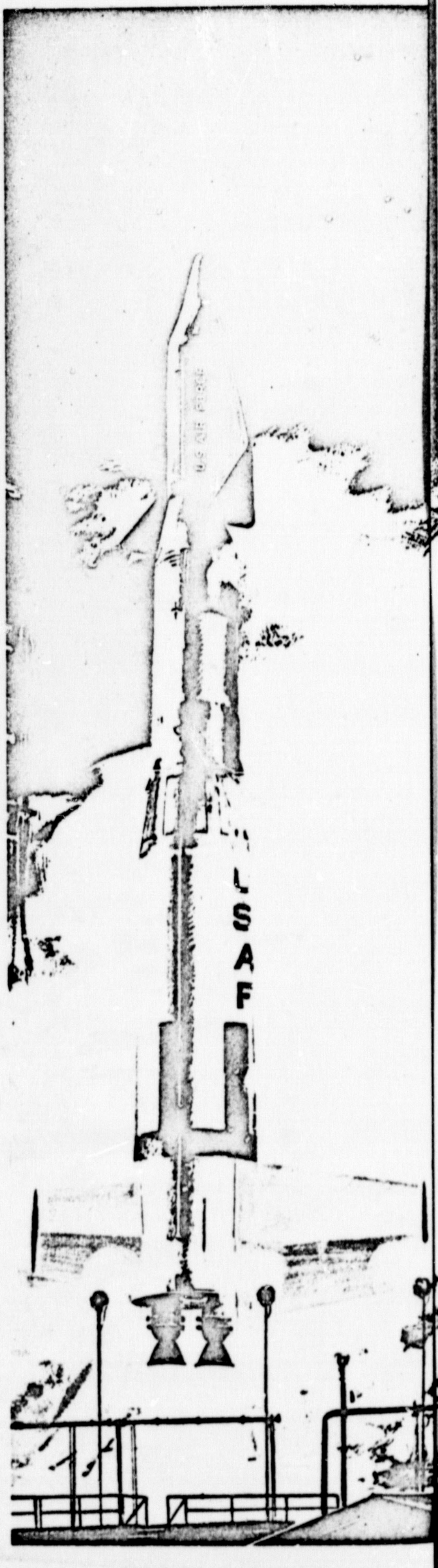
The intensive missile flight test program continued through the year. Bomarc "Bs" have intercepted supersonic missiles, F-80 jet fighters and B-47 jet bombers making mock attacks on U. S. shores. Intercepts have been made at distances well over 300 miles and from altitudes of 20,000 to 70,000 feet. Closing speeds in some tests have been four times the speed of sound, requiring that every element of the weapon system work to perfection, and pointing up the technical know-how and skills required in production of the missile system.

Base construction for both Bomarc and Minuteman has been an increasingly important aspect of the company's missile activities. A separate Base Installation Department, numbering well over 1,000 employees, carries out this phase of the company's missile activity.

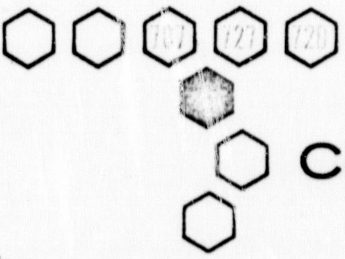
Dyna-Soar—our major space program—has been described by the Air Force as "the most important research and development project we have . . . the first step toward practical man-in-space flight." Boeing is a system contractor for the Air Force. The National Aeronautics and Space Administration is participating in technical development. Company responsibility includes design, manufacture and test of the glider portion of the system and a broad coordinating function with respect to the booster, launch complex, range instrumentation, etc.

During 1960 the company received approval of its design for the delta-wing glider. Construction, to include entirely new heat-resistant materials capable of withstanding atmosphere reentry temperatures, will begin in 1961. Flight tests of Dyna-Soar gliders are expected to begin within three years. Manned, sub-orbital flights will follow.

The experience gained now in programs such as Minuteman, Bomarc and Dyna-Soar will be invaluable in later space-age programs. The company expects to make specific follow-on proposals, including space rendezvous and satellite reconnaissance systems.



Dyna-Soar, a vehicle to carry man into space and back, was a major program for company



# Commercial Aircraft

The revolution set in motion by introduction of the passenger jet continues to gain momentum. In 1960, commercial and pleasure travelers had come to accept as standard the spanning of the nation or an ocean in half the time required only a year or two earlier. A chain reaction has resulted.

Executives of established airlines, seeing the enthusiastic reception of jet travel on longer routes, are planning to extend service to medium and short stages, thus bringing the speed and convenience of jet travel to many more cities. Many smaller nations also are displaying a desire for advanced jet equipment.

In early December, after many months of consideration—especially of the financial risk involved—the company announced that it would produce a short-to-medium range jet transport, the 727. Eastern and United Air Lines simultaneously signed agreements, each to purchase 40 of the new aircraft. The combined order was the largest in the history of commercial aviation. In February, 1961, Deutsche Lufthansa of Germany ordered 12 of the new planes, giving Boeing its first 727 success in Europe against intense competition from French and British manufacturers.

The 727's engines will be mounted at the rear of the fuselage, which will present a new silhouette in the skies with a T-tail at the top of a vertical stabilizer. In other respects the 727 bears close resemblance to the 707 and 720 aircraft. It will have an identical upper body section and many parts and systems will be interchangeable with those of other members of the 707 family, resulting in economies both of manufacture and airline maintenance.

The new airplane will operate from runways as short as 5,000 feet on airline route segments of 150 to 1700 miles. Direct operating costs are estimated as low as $1.30 per mile and accommodations will vary from 70 to 114 passengers. The basic price of the 727 is approximately $4,200,000. The company expects to obtain a substantial share of sales in the market for short-to-medium range jets, presently estimated to be approximately 900 units in the 1961-1970 period.

Meanwhile, the airplanes which established Boeing firmly in the commercial field were proving their appeal to the airlines. New customers since the last annual report include Avianca, of Colombia; Eastern; El Al, of Israel; Western; Ghana Airways, and Ethiopian Air Lines—with Northwest Orient Airlines, ordering six 720B models in March, 1961, as the most recent. Since their original orders, thirteen customers have placed re-orders. They are American, Air France, Air-India, Braniff, Continental, Eastern, El Al, Lufthansa, Pan American, Qantas, TWA, United and Western.

The Model 720 medium-range transport was introduced into airline service in the Spring of 1960 and is currently operated domestically by United and American Airlines, overseas by Irish International Air Lines.

At the end of December, 175 Boeing jets were in operation, flying the colors of 20 airlines. The Boeing fleet had carried eleven and one-half million passengers on routes circumnavigating the globe. The total of all Boeing jet transports delivered or on order stood at 343.

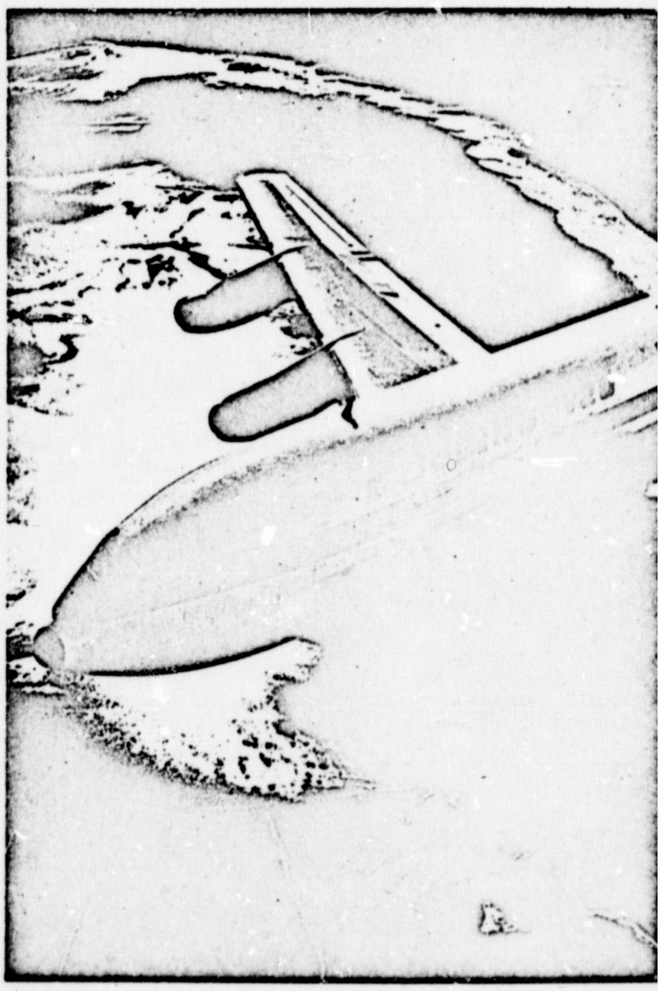
An improved version of the Intercontinental jet transport—the 707-320B—was announced during the year. First order, for five aircraft with an option for five more, was placed by Pan American World Airways. The new Boeing will be equipped with an advanced turbofan engine and will incorporate new type leading and trailing edge flaps. It will carry a 40,000-pound payload more than 4,700 nautical miles, a 15% increase over the present 707-320 straight-jet Intercontinental. The latter is currently the world's longest range jet airliner.

Economic forecasts continue to outline the promise of major developments in the movement of cargo by jet transport. Accordingly, the company made its first offering to airlines, during 1960, of an advanced cargo jet developed from the 707-320 model.

A recent product of the Vertol Division is the Model 107 twin-turbine helicopter. It has particular application as a consequence of the impact of the passenger jet transport—the problem of rapid movement of large numbers of passengers from airport to city or between closely located cities. A prototype of the vertical lift aircraft, capable of carrying 25 passengers at cruising speeds in excess of 150 miles per hour, has been demonstrated to potential customers here and abroad.

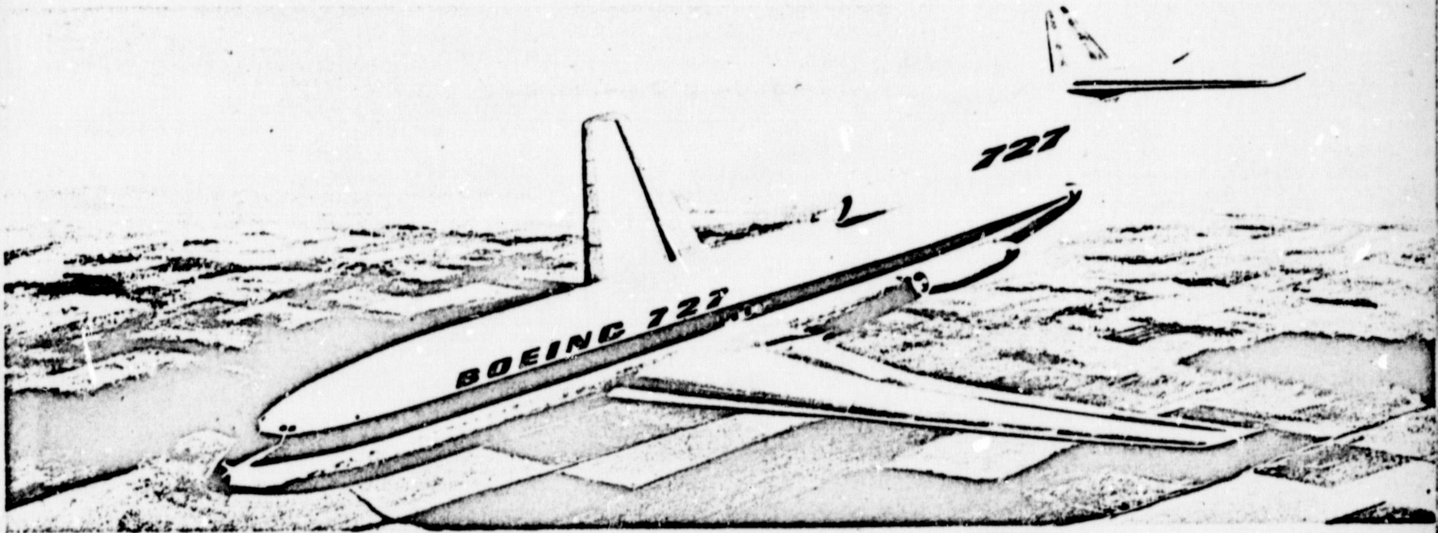
The division is building five Model 107s for New York Airways, which also holds an option for five more. Proposals for the 107 also have been submitted to foreign governments and airlines and arrangements have been made for manufacture of 107s in Japan by Kawasaki Aircraft Company. Firm orders have been received from Kawasaki for two aircraft and components for eight additional units which are required for implementing production in Japan.

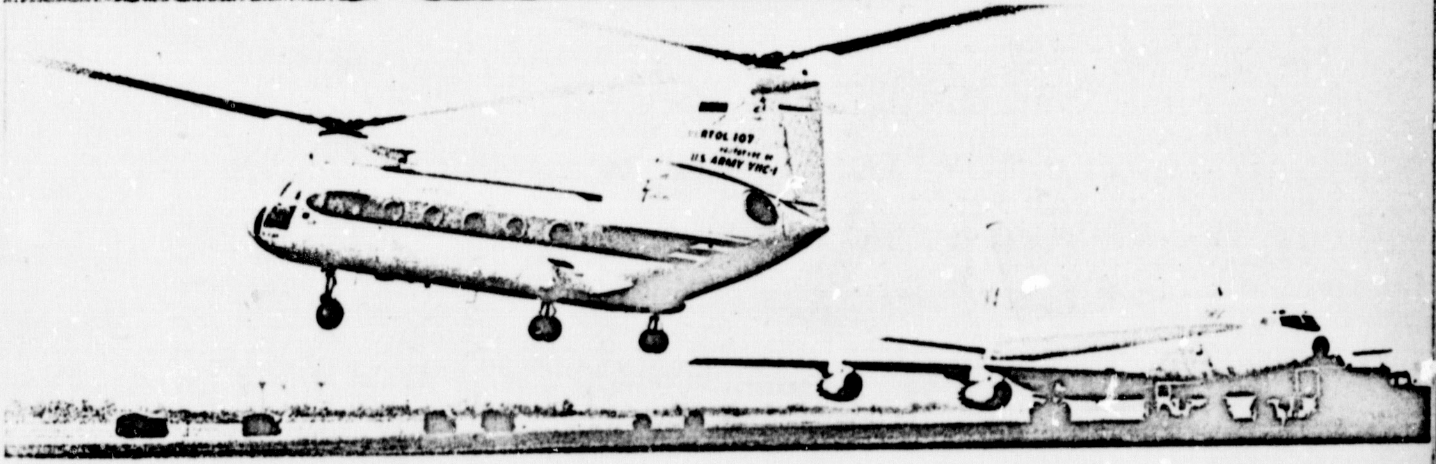
Looking to the future, when advanced technology will forge a requirement for passenger travel at supersonic speed, the company continues research in the design and engineering phases of commercial supersonic aircraft. First costs inevitably will be high and the initial market limited. However, the company intends to stay in a position to compete for its share of transport business when the supersonic phase of passenger travel begins.



Announcing the 3-engined 727, Boeing rounded out its jet transport family and entered short-to-medium range field

Newest jet airliner in service was Boeing's medium-range 720, using either conventional or turbo-fan engines


727
BOEING 727

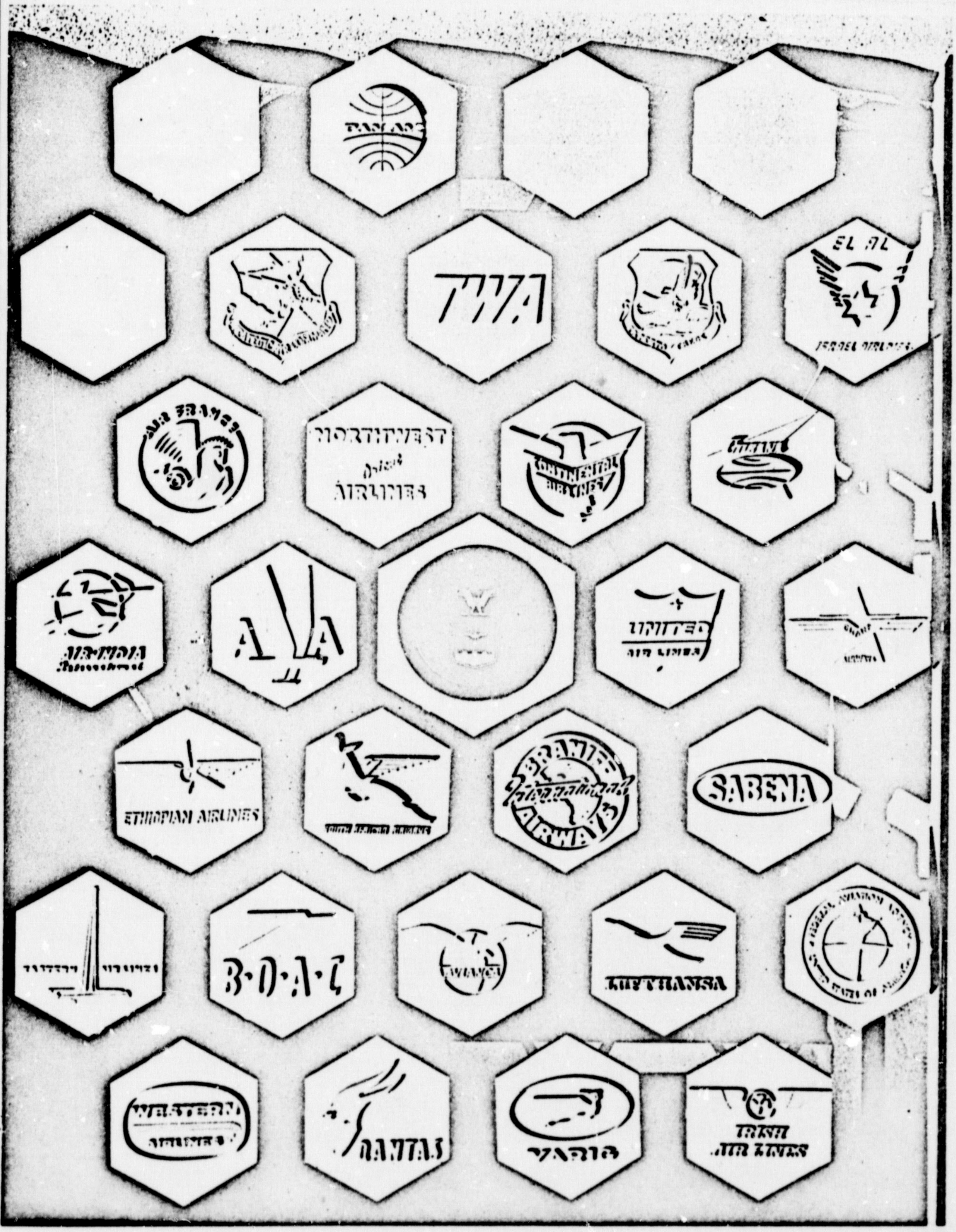

VERTOL 107
U.S. ARMY YHC-1

The Boeing-Vertol 107, a twin-engined helicopter to carry 25 passengers, was ordered by U.S. and Japanese buyers

# Boeing Jets Around the World

| CUSTOMER | 707-120 | 707-120B | 707-220 | 707-320 | 707-320B | 707-420 | 720 | 720B | 727 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| AIR FRANCE | | | | 20 | | | | | | 20 |
| AIR-INDIA | | | | | | 4 | | | | 4 |
| AMERICAN | *25 | 1 | | | | | *10 | 15 | | 51 |
| AVIANCA | | | | | | | | 2 | | 2 |
| BOAC | | | | | | 15 | | | | 15 |
| BRANIFF | | | 5 | | | | 3 | | | 8 |
| CONTINENTAL | 5 | | | | | | | | | 5 |
| CUBANA | 2 | | | | | | | | | **2 |
| EASTERN | | | | | | | 15 | | 40 | 55 |
| EL AL | | | | | | 3 | | | | 3 |
| ETHIOPIAN | | | | | | | | 2 | | 2 |
| GHANA | | | | | | 2 | | | | 2 |
| IRISH | | | | | | | 3 | | | 3 |
| LUFTHANSA | | | | | | 5 | | 8 | 12 | 25 |
| NORTHWEST | | | | | | | | 6 | | 6 |
| PAN AMERICAN | 6 | | | 26 | 5 | | | | | 37 |
| QANTAS | *7 | 3 | | | | | | | | 10 |
| SABENA | | | | 5 | | | | | | 5 |
| SOUTH AFRICAN | | | | 3 | | | | | | 3 |
| TWA | 15 | | | 12 | | | | | | 27 |
| UNITED | | | | | | | 29 | | 40 | 69 |
| VARIG | | | | | | 2 | | | | 2 |
| WESTERN | | | | | | | | 4 | | 4 |
| TOTALS (Commercial) | 60 | 4 | 5 | 66 | 5 | 31 | 60 | 37 | 92 | 360 |
| U.S. AIR FORCE | 3 | (VC-137A) | | | | | | | | 3 |
| F.A.A. | | | | | | | 1 | | | 1 |
| TOTALS | 63 | 4 | 5 | 66 | 5 | 31 | 61 | 37 | 92 | 364 |

* Will be modified to "B" Version
** Leased by Boeing to Western Air Lines


PAN AM
TWA
EL AL
ISRAEL AIRLINES
AIR FRANCE
NORTHWEST
Orient
AIRLINES
CONTINENTAL AIRLINES
AIR-INDIA
International
A A
UNITED
AIR LINES
ETHIOPIAN AIRLINES
BRANIFF
International
AIRWAYS
SABENA
B·O·A·C
LUFTHANSA
WESTERN
AIRLINES
QANTAS
VARIG
IRISH
AIR LINES

# Research

In the rapidly changing aero-space industry, a key asset of any successful company is its technical capability. Tomorrow's business is largely based on technological studies being made today. It is for this reason that your company puts heavy emphasis on research—basic research in the broad areas of science and applied research directed toward product development and improvement.

Ten years ago—or even five—very few could have predicted that Boeing today would have major contracts for an ICBM-Minuteman or for a space glider—Dyna-Soar. However, the research and study carried on in the past prepared the company for the role it plays today. Similarly, products and areas of interest in 1970 cannot accurately be predicted today, but through research the company is preparing for whatever the requirements may be five to 10 years hence.

In 1960 the Boeing Scientific Research Laboratories moved into new facilities, permitting expansion of its staff and fields of investigation. Personnel housed in the new building are engaged in research in flight sciences, plasma physics, geo-astro physics, mathematics and solid state physics. In all categories, the primary purpose is to do basic research and to keep abreast of similar research throughout the world.

At Boston, Allied Research Associates, Inc., a wholly-owned subsidiary, conducts research and development studies for numerous private and governmental customers.

Within the company's operating divisions, principal research areas include supersonic jet transports, VTOL and STOL (vertical and short take-off and landing) aircraft, advanced missiles and space vehicles.

In addition, each of the divisions carries on continuing research looking toward improvement of its products and processes.

Physically, Boeing possesses the most complete laboratory and development facilities in the aero-space industry. Included are the $40 million Developmental Center; subsonic, transonic and supersonic wind tunnels, and the new Scientific Research Laboratories. Specialists in highly technical fields from all over the world are finding in these laboratories the freedom to pursue new areas of inquiry which stimulates the scientific mind and leads to fruitful discoveries.

Properly to exploit the fruits of research, any organization also must maintain adequate parallels of technical skills and facilities. With both corporate and divisional research and laboratory facilities, Boeing possesses the capability —in depth—to conceive advanced designs and to develop and produce the resulting systems.

Illustrative of such ability is the company's position in electronics. Company activities in electronic research and design include countermeasures, enemy electronic environment, radar-optical systems, infrared, radio navigation, antenna development, semi-conductor applications, electrical materials, miniaturization and many others. Manufacturing produces components, sub-systems, total systems and test gear.

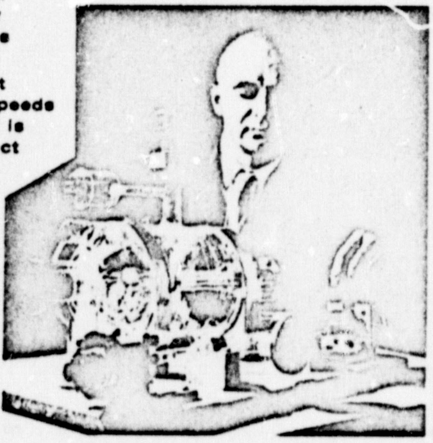
Electronics are a major element in practically all of the company's products—missiles, space craft, commercial and military aircraft. It is the company's responsibility to take the sophisticated electronic products of many different suppliers and make them work as unified systems with the highest degree of reliability. Where suitable equipment is not available, the company must design and build its own.

Although the company does not have an electronics division as such, it does have two specialized electronic manufacturing facilities and more than 10,000 employees in electronic and electro-mechanical assignments. Recognizing that electronic requirements will increase, we expect to increase capabilities in these fields.

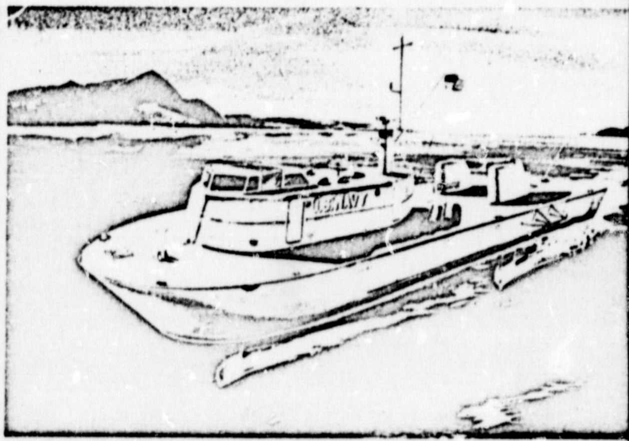
Boeing Scientific Research Laboratories now are housed in ultramodern facilities

# Other Programs

**Scientific equipment is built to individual order by laboratory engineering services**



**Navy hydrofoil craft to reach 45-knot speeds in off-shore patrols is new company project**



While effort was directed primarily to its major product lines, the company also engaged in additional programs covering a number of product or service areas including hydrofoils and gas turbines.

In the highly important field of anti-submarine warfare, the Aero-Space Division is building a hydrofoil patrol boat under Navy contract and is carrying on studies of other hydrofoil applications and of warning and decoy devices.

The Industrial Products Division made further improvements in versions of its gas-turbine engines, which are being tested and evaluated in such new fields as fire-fighting equipment, fuel-pumping installations and various marine applications. More than 200 of the division's gas turbine turbo-starter units are in service with airlines throughout the world. The same engines used in these units also are in production for the Navy's new anti-submarine drone helicopters.

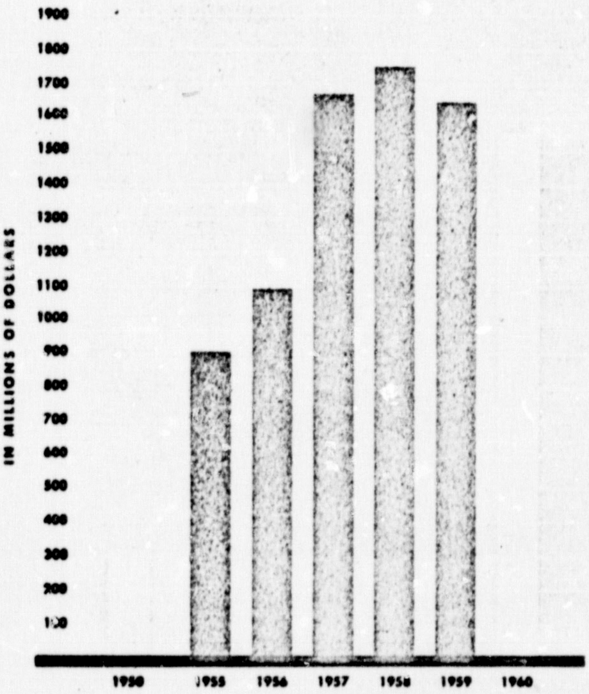
A new organization, Boeing Associated Products, was established to exploit the by-products of technical progress in the several divisions—inventions and process developments which have potential use beyond the company's own requirements.

Over the years the company has developed outstanding capabilities with respect to the design of certain specialized equipment and the performance of certain technical services; and the company remains alert to opportunities to exploit such capabilities fully. For example, Boeing Applied Computing Services, at Wichita, offers many phases of numerical control service, including preparation of tapes for machine programming of tools, parts, dies and templates. The Aero-Space Division has developed over the last 12 years an outstanding antenna design capability. To capitalize on this experience an antenna department has been formed to offer design and construction of air-borne and heavy ground installed antennae of specialized and sophisticated types.

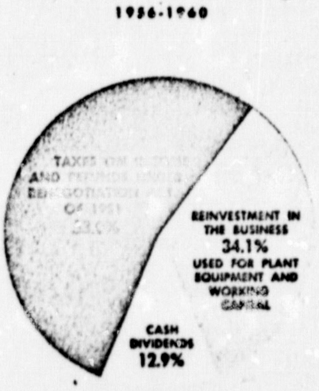
Beyond the continental United States, the Boeing name has been carried to nearly all nations of the free world by the company's family of commercial jet aircraft. In both traditional and new markets overseas there exist opportunities for sale of products and services other than jet transports.

In recognition of the growing opportunities in foreign markets, an Office of International Operations has been established. The office is charged with assuring that the company's overseas activities place Boeing in those markets of maximum potential yield, with products or services which the company is uniquely equipped to provide. An existing subsidiary was expanded in November through organization of Boeing of Canada, Ltd., with offices at Arnprior, Ontario, and Montreal, Quebec, to broaden the company's interests in that nation. Company officers and leading Canadian citizens were named to the board of directors.

**Sales**
**1950-1960**



**Disposition of Earnings***
**1956-1960**



*TOTALING $297,164,493 BEFORE TAXES AND ACTUAL AND PROJECTED REFUNDS UNDER THE RENEGOTIATION ACT OF 1951

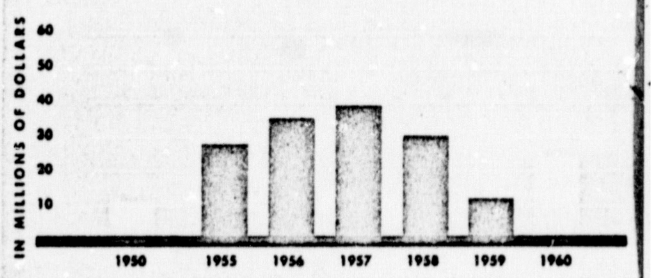
# Financial Review

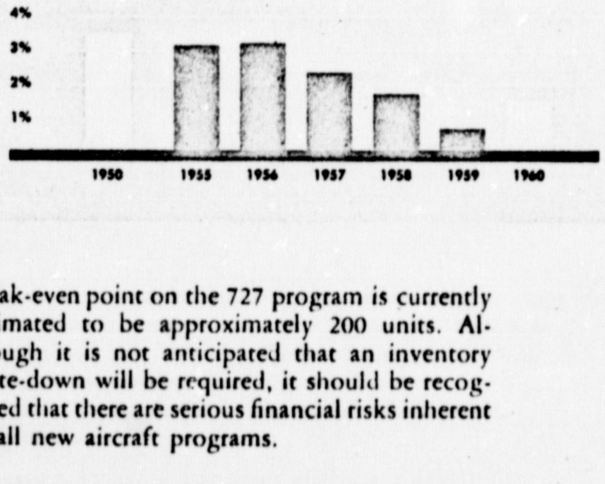
Sales for the year totaled $1,554,572,612, as compared to $1,648,802,758 for the year 1959. Of the total sales, military aircraft accounted for $594,490,000, or 38%; missile and space programs $464,403,000, or 30%; and commercial programs $495,680,000, or 32%.

Net earnings after federal and state income taxes for 1960 were $24,462,100, or $3.07 per share. This compares with net earnings of $12,743,402 in 1959 and $1.60 per share. Net earnings per dollar of sales increased from 0.77 cents in 1959 to 1.57 cents in 1960. Sales and earnings for 1959 have been adjusted to give effect to the acquisition of Vertol Aircraft Corporation.

The increase in earnings experienced during the year was attributable in large measure to favorable developments on the commercial 707-720 jet transport programs, both the receipt of additional orders and significant improvements in over-all production cost trends.

As in the last several years, heavy charges were made against earnings for research, developmental, administrative and other general overhead costs applicable to commercial programs. However, such costs for the year 1960 were offset


**Net Earnings**
1950-1960


**Per Cent of Net Earnings to Sales**
1950-1960

to a substantial extent by commercial program "book profits", i.e., the difference between sales prices and inventory costs. With respect to the 707-720 programs specifically, fourth quarter book profits exceeded other charges against earnings. Thus, the last impact on earnings of the loss on these programs was recorded in 1960.

With the loss on 707-720 programs having been fully recognized, total orders received through December 31, 1960, were considered as separate "blocks", or contracts, for financial reporting purposes. Orders received subsequent to 1960 for present 707 and 720 models and orders for new commercial models such as the Model 727 short-to-medium range transport and the turbofan-powered 707 Intercontinental transport will be considered separate programs for financial reporting purposes.

It should be recognized that the inherent uncertainties relative to the magnitude and timing of military programs and the dynamic nature of the commercial jet transport business make over-all financial results difficult to project. With that qualification and based on current programs and schedules, both sales and earnings in 1961 should improve over 1960 levels.

Sales and earnings for the first quarter of 1961 will be proportionately lower than the projections for the year. This is attributable to model changes on the B-52 and Bomarc programs and delivery phasing on the commercial jet programs.

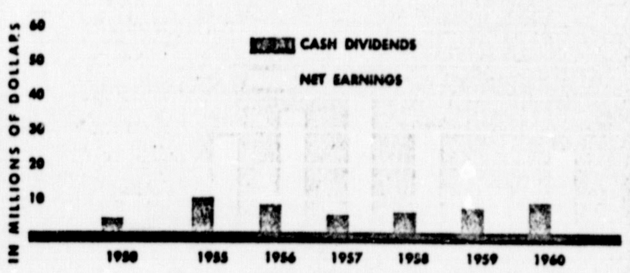
In 1961 and succeeding years, the 707-720 programs, through the reversal of losses reported in previous years, are expected to contribute materially to the annual earnings of the company. The magnitude and duration of this contribution will depend primarily upon the volume and timing of new orders, production cost trends, and the cost of improvements to the aircraft necessary to maintain our competitive leadership in this market.

Sales of 727 aircraft will be recorded when deliveries commence in the latter part of 1963. However, the program will generate developmental and general overhead costs which will be charged against earnings in 1961 and 1962. The break-even point on the 727 program is currently estimated to be approximately 200 units. Although it is not anticipated that an inventory write-down will be required, it should be recognized that there are serious financial risks inherent in all new aircraft programs.

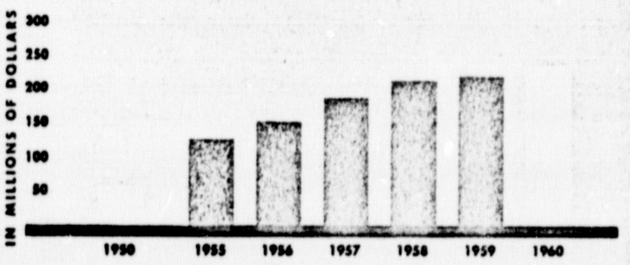
## Backlog

At the end of 1960, unfilled orders totaled $2,139,000,000. When military contracts currently under negotiation become definitive, this amount will be increased by approximately $400,000,000. Included in the backlog at the end of 1960 was $732,950,000 applicable to military aircraft and $612,200,000 applicable to missile and space programs. Commercial orders amounted to $793,850,000.

Cash Dividends and Net Earnings
1950-1960



Stockholders' Investment
1950-1960



Since the first of the year, we have received orders for twenty-one 707, 720, and 727 aircraft from three airlines, totaling $95,000,000. This amount has not been included in the backlog.

## Facilities

For modernization and expansion of the company's property, plant, and equipment $27,083,935 was expended. Depreciation and amortization recorded during the year amounted to $21,084,370. At the year end the gross investment in facilities amounted to $198,410,048, net investment being $88,749,198. Included in the gross investment were facilities still in use having an original cost of $29,739,126 which had been fully depreciated or amortized as of December 31.

Future years will show a high level of expenditure for the physical facilities required by the company's broadening research programs and by the new and advanced technologies involved in the design, development, and production of future aero-space products. Such future requirements include laboratories, test facilities, specialized production equipment, computers and enlarged, modern quarters and equipment for the steadily growing scientific and technical staff.

## Renegotiation

In June, 1960, the company received a "Clearance Notice" from the Los Angeles Regional Renegotiation Board expressing its determination that no excessive profits were realized by the company during 1957 from government contracts and subcontracts. A similar determination for 1956 was disclosed in the 1959 stockholders' report.

The petitions of the company for a redetermination of Renegotiation Board findings of excessive profits for the years 1952, 1953, 1954 and 1955 are still pending in the Tax Court of the United States. The determinations of excessive profits for these four years involve net refunds, after applicable federal and state income credits, of $12.7 million. The required refunds have been paid or provided for in the accounts.

The hearing of the company's appeal for the year 1952, which had been in recess from early 1959 to late in 1960, has recently been concluded. During the recess, litigation seeking the enforcement of the company's subpoena of certain records of the Renegotiation Board was carried on in the United States District Court and in the Court of Appeals for the District of Columbia, resulting in a decision of the Court of Appeals sustaining the company's position on the subpoena issue. The preparation of briefs by the company and by the government is currently in process, and it is possible that a decision will be rendered by the Tax Court during 1961.

Your management believes that earnings recorded for 1958, 1959 and 1960 were not excessive, and hence no provisions for renegotiation refunds have been made for these years.

## Federal Income Tax

The Internal Revenue Service has reviewed and agreed to all Federal Income Tax returns of the company through the year 1956, with the exception of certain claims for refunds which are still pending, including a petition filed with the United States Court of Claims. Such claims have not been recorded in the accounts. It is believed that the income tax liability stated on the balance sheet is adequate for the years 1957 through 1960.

## Dividends

The company has traditionally followed a conservative dividend policy in order to provide funds for plant expansion, research and development and increased working capital. At the present time the company's invested capital, the projected cash flow from operations and the ability to borrow both short term and long term funds are considered adequate to meet current and forecasted fund requirements. Accordingly, the Board of Directors increased the quarterly cash dividend from 25 to 40 cents and has discontinued the small stock dividend which had been paid annually since 1956. This change was made effective with the 1960 fourth quarter dividend. Total dividends paid during the year amounted to $9,052,905.

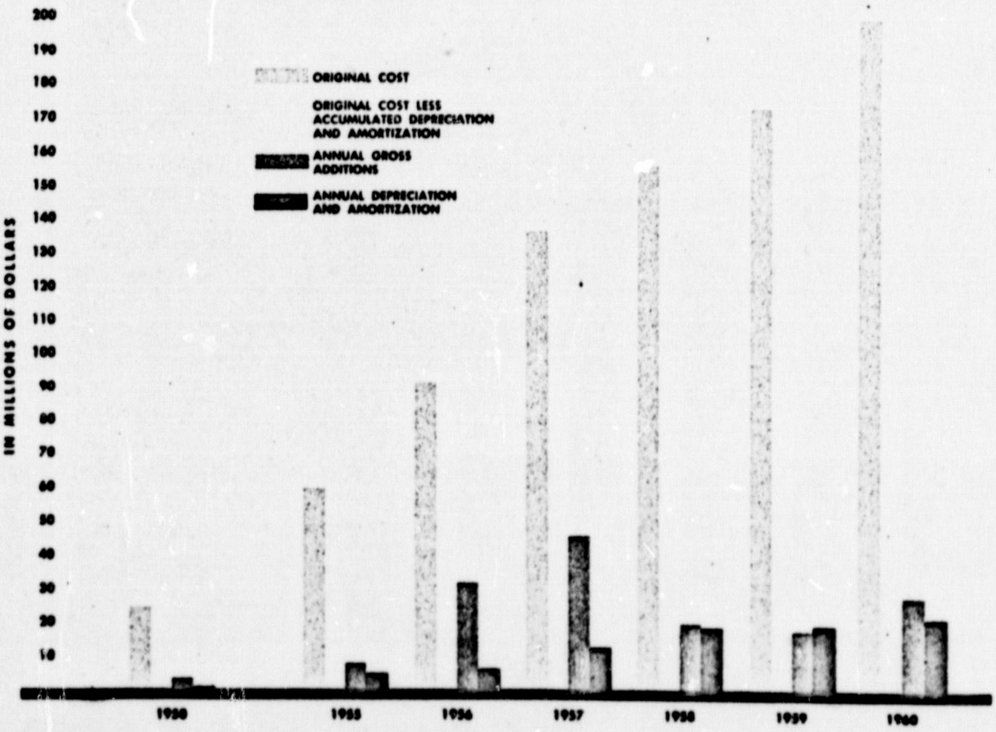
## Working Capital and Other Assets

Working capital declined slightly to a year-end level of $200,069,655. The company's short-term borrowings from banks decreased from $100 to $15 million. It is expected that the present credit line of $100 million will be adequate to meet all requirements for funds during 1961.

Long-term notes receivable, which are principally from foreign airlines, increased to $16,816,380 during the year. The Export-Import Bank has, to date, financed a significant portion of the company's foreign sales. In such financing, the bank requires a limited participation by the manufacturer.

**Company Investment in Property, Plant, and Equipment**

**1950-1960**



# Looking to the Future

As your company looks to the future it does so from a position of strength tempered by uncertainties in some areas of company interest.

From the standpoint of strength: Divisional operation has resulted in improved efficiency and increased cost consciousness. Greater diversification of sales is a reality. A sound position in the evolving field of missiles and space has been established. World-wide acceptance of the company's commercial aircraft has been achieved and the company now offers models to meet practically all airline requirements.

The financial position of the company is sound and at this time no requirement for equity or other outside financing is seen. We have outstanding scientific and technical capabilities and have a stable and experienced work force.

In the area of uncertainties are: The emphasis and direction of defense spending under the new administration and its policies in regard to taxes, renegotiation, labor relations and other factors of concern to business generally.

Two of the company's projects—the B-52 and Bomarc—are in uncertain position as to future planning of the military. Neither is funded in the budget for fiscal 1961-62 which was submitted by the out-going administration. Thus both projects could be phased out in 1962 when presently funded contracts will be completed. The company believes strongly in both projects as deterrents to enemy attack and a re-evaluation of their merits may result in additional orders.

Competition both for defense and commercial business is very keen. For defense business we compete not only with others in the aero-space industry but with manufacturers in many diverse fields. In the commercial jet field, in addition to domestic competition, foreign manufacturers are making determined efforts to capture a substantial share of the available market.

However, the basic strength of the company is not measured in backlog of contracts, specific projects or the number of proposals for new business. Rather, strength lies in the total and quality of its resources—technical, manufacturing, administrative, financial and managerial. By these yardsticks your company is strong and looks to 1961—and beyond—with confidence.

William M. Allen

*President*

March 17, 1961

# Five Year Condensed Comparative Financial Data

| **Financial Position** As of December 31, | 1960 |
|---|---|
| Current assets | $ 429,755,339 |
| Current liabilities | 229,685,684 |
| Working capital | $ 200,069,655 |
| Long-term notes receivable | 16,816,380 |
| Property, plant, and equipment, net | 88,749,198 |
| Other assets | 1,903,192 |
| Total | $ 307,538,425 |
| Less: Long-term debt | 70,545,000 |
| Net assets | $ 236,993,425 |
| Represented by stockholders' investment in: | |
| Capital stock | $ 126,560,775 |
| Retained earnings | 110,432,650 |
| | $ 236,993,425 |
| Stockholders' equity per share | $ 29.73 |
| Ratio of current assets to current liabilities | 1.87 to 1 |
| **Sales, Earnings and Dividends** | |
| Sales | $1,554,572,612 |
| Earnings before taxes on income | 51,762,100 |
| Taxes on income | 27,300,000 |
| Net earnings | 24,462,100 |
| Cash dividends paid | 9,052,905 |
| Net earnings per share | 3.07 |
| Cash dividends paid per share | 1.14 |
| Income taxes per share | 3.42 |
| % earnings before taxes on income to sales | 3.33% |
| % taxes on income to sales | 1.76% |
| % net earnings to sales | 1.57% |
| **General Information** | |
| Backlog | $2,139,000,000 |
| Number of authorized shares of common stock | 10,000,000 |
| Number of shares outstanding | 7,971,647 |
| Average number of employees | 81,925 |
| Total wages and salaries | $ 556,059,987 |
| Gross additions to plant and equipment | 27,083,935 |
| Depreciation and amortization | 21,084,370 |
| Amortization in excess of normal depreciation | 4,574,617 |
| Square feet of floor area: | |
| Government owned | 11,422,005 |
| Boeing owned | 6,620,611 |
| Leased | 1,709,829 |

**NOTE:** Prior years' financial data and statistics include Vertol Aircraft Corporation. Financial data re-stated to give effect to the renegotiation refunds for the years 1952, 1953, 1954, and 1955. All per share figures adjusted to reflect stock dividends and stock splits.

| 1959 | 1958 | 1957 | 1956 |
|---|---|---|---|
| $ 526,451,990 | $ 540,701,644 | $ 428,230,471 | $ 298,574,433 |
| 321,652,050 | 342,878,817 | 325,243,917 | 196,997,781 |
| $ 204,799,940 | $ 197,822,827 | $ 102,986,554 | $ 101,576,652 |
| 2,460,000 | | | |
| 82,731,195 | 84,955,609 | 84,192,919 | 51,568,127 |
| 2,114,273 | 1,755,359 | | |
| $ 292,105,408 | $ 284,533,795 | $ 187,179,473 | $ 153,144,779 |
| 70,545,000 | 70,546,500 | | |
| $ 221,560,408 | $ 213,987,295 | $ 187,179,473 | $ 153,144,779 |
| $ 126,533,140 | $ 119,936,369 | $ 100,311,910 | $ 89,445,256 |
| 95,027,268 | 94,050,926 | 86,867,563 | 63,699,523 |
| $ 221,560,408 | $ 213,987,295 | $ 187,179,473 | $ 153,144,779 |
| $ 27.80 | $ 27.04 | $ 24.02 | $ 19.70 |
| 1.64 to 1 | 1.58 to 1 | 1.32 to 1 | 1.52 to 1 |
| $1,648,802,758 | $1,751,935,410 | $1,673,739,917 | $1,096,382,445 |
| 26,427,402 | 63,441,715 | 80,794,705 | 74,078,570 |
| 13,684,000 | 33,230,000 | 41,010,000 | 38,672,000 |
| 12,743,402 | 30,211,715 | 39,784,705 | 35,406,570 |
| 7,360,826 | 7,016,727 | 6,681,281 | 8,162,577 |
| 1.60 | 3.82 | 5.10 | 4.56 |
| 0.92 | 0.89 | 0.86 | 1.05 |
| 1.72 | 4.20 | 5.26 | 4.98 |
| 1.60% | 3.62% | 4.83% | 6.76% |
| 0.83% | 1.90% | 2.45% | 3.53% |
| 0.77% | 1.72% | 2.38% | 3.23% |
| $2,018,000,000 | $2,470,000,000 | $2,482,000,000 | $3,141,000,000 |
| 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| 7,970,640 | 7,768,735 | 7,351,195 | 7,028,155½ |
| 92,542 | 95,427 | 99,252 | 76,036 |
| $ 579,247,316 | $ 565,821,702 | $ 536,641,276 | $ 400,467,589 |
| 18,088,695 | 19,531,629 | 45,608,652 | 31,208,314 |
| 19,469,448 | 19,096,136 | 12,895,867 | 7,071,904 |
| 4,516,168 | 4,975,186 | 3,793,121 | 2,836,855 |
| 11,724,730 | 11,702,042 | 11,270,294 | 9,423,243 |
| 6,447,952 | 6,132,590 | 5,994,492 | 4,218,684 |
| 1,764,634 | 2,177,084 | 2,319,679 | 2,303,176 |

# Balance Sheet

**BOEING AIRPLANE COMPANY** **December 31, 1960**

## Assets

| | | |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | | $ 28,829,553 |
| Accounts receivable—United States Government contracts (including unreimbursed costs and fees under cost reimbursement type contracts of $96,111,151) | | 145,381,200 |
| Other accounts and notes receivable | | 18,711,342 |
| Inventories, less advances and progress payments of $356,355,796 | | 233,768,798 |
| Prepaid expenses | | 3,064,446 |
| TOTAL CURRENT ASSETS | | $429,755,339 |
| LONG-TERM NOTES RECEIVABLE | | 16,816,380 |
| PROPERTY, PLANT, AND EQUIPMENT, at cost: | | |
| Land ($6,410,966) and buildings | $110,649,327 | |
| Machinery and equipment | 87,760,721 | |
| | $198,410,048 | |
| Less allowance for accumulated depreciation and amortization | 109,660,850 | 88,749,198 |
| DEFERRED CHARGES | | 1,903,192 |
| | | $537,224,109 |

## Liabilities and Stockholders' Investment

| | | |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Notes payable to banks | | $ 15,300,000 |
| Accounts payable | | 122,566,631 |
| Salaries and wages | | 50,377,906 |
| Payroll, property, and excise taxes | | 7,161,899 |
| Allowance for 1954 and 1955 renegotiation, net of taxes | | 7,767,850 |
| Federal taxes on income | | 26,511,398 |
| TOTAL CURRENT LIABILITIES | | $229,685,684 |
| LONG-TERM DEBT: | | |
| 5% Sinking Fund Debentures | $ 40,000,000 | |
| 4½% Convertible Subordinated Debentures | 30,545,000 | 70,545,000 |
| STOCKHOLDERS' INVESTMENT: | | |
| Capital stock, par value $5 a share—<br>Authorized, 10,000,000 shares (610,900 shares reserved for conversion of 4½% Convertible Subordinated Debentures) | | |
| Issued and outstanding, 7,971,647 shares at stated value | $126,560,775 | |
| Retained earnings | 110,432,650 | 236,993,425 |
| | | $537,224,109 |

See notes to financial statements.

# Statement of Net Earnings

**BOEING AIRPLANE COMPANY** **Year Ended December 31, 1960**

| | | |
|---|---|---|
| Sales | | $1,554,572,612 |
| Other income | | 1,492,702 |
| | | $1,556,065,314 |
| Costs and expenses | $1,496,915,152 | |
| Interest and debt expense | 7,388,062 | |
| Federal taxes on income | 27,300,000 | 1,531,603,214 |
| NET EARNINGS FOR THE YEAR | | $ 24,462,100 |

| | |
|---|---|
| Provision for depreciation and amortization for the year | $ 21,084,370 |

See notes to financial statements.

# Statement of Stockholders' Investment

**BOEING AIRPLANE COMPANY** **Year Ended December 31, 1960**

| | Capital Stock | | Retained Earnings |
|---|---|---|---|
| | Shares | Amount | |
| Balance at January 1, 1960 (after transfer from retained earnings to the capital stock account of $98,460,853) | 7,521,911 | $119,945,754 | $88,534,848 |
| Shares issued in connection with the acquisition of Vertol Aircraft Corporation (includes $4,650,302 transferred from retained earnings to capital stock) | 448,954 | 6,594,885 | 6,488,607 |
| Net earnings for the year | | | 24,462,100 |
| Shares sold to officers and employees at market value under the Incentive Compensation Plan | 782 | 20,136 | |
| Cash dividends paid, $1.15 a share | | | (9,052,905) |
| Balance at December 31, 1960 (after transfer from retained earnings to the capital stock account of $103,111,155) | 7,971,647 | $126,560,775 | $110,432,650 |

See notes to financial statements.

# Notes to Financial Statements

**INVENTORIES:**

Inventories are composed of:

| | |
|---|---|
| Fixed price type contracts in process | $558,764,307 |
| Commercial spare parts | 21,906,656 |
| General stock materials | 9,453,631 |
| | $590,124,594 |
| Less advances and progress payments | 356,355,796 |
| | $233,768,798 |

Military fixed price type contracts in process are stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on commercial programs is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred.

To the extent that estimated total costs of units scheduled for production, determined in the above manner, are expected to be greater than total sales price, the portion of such excess related to work in process is currently charged to earnings. The resultant inventory is stated at estimated proportionate sales value.

Commercial spare parts and general stock materials are stated at average cost, not in excess of realizable value.

**RENEGOTIATION:** The Renegotiation Board has unilaterally determined that the company realized excessive profits for the years 1952 through 1955 and has issued a clearance for the years 1956 and 1957. The required refunds have been paid or provided for in the accounts and appeals have been taken to the Tax Court of the United States.

The company cannot predict what the Board's action will be for the years 1958, 1959, and 1960. In view of this uncertainty and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds for any of these years.

**LONG-TERM DEBT AND RESTRICTIONS ON RETAINED EARNINGS:** Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually beginning in 1964.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each $100 principal amount. The annual sinking fund requirements beginning in 1968 amount to $1,750,000 less credits for previously converted debentures.

The indentures under which the debentures were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the company's capital stock or subordinated indebtedness. At December 31, 1960, the maximum amount of retained earnings restricted under these indentures was $40,195,285.

**RETIREMENT PLAN:** Under the company's non-contributory retirement plan, a charge of $15,183,303 has been made in the accounts for the year 1960, of which $13,547,816 represents current service and $1,635,487 is applicable to past service. At December 31, 1960, the past service liability not recognized in the accounts was estimated at $9,000,000.

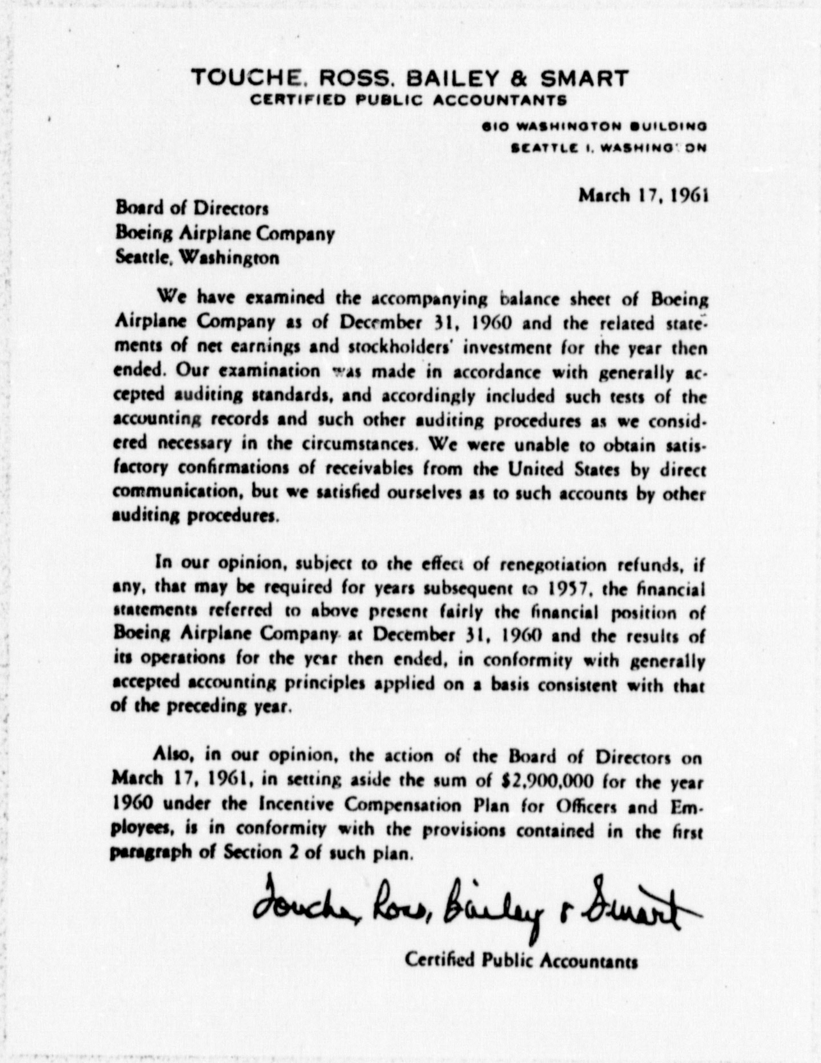
**STOCK OPTIONS AND INCENTIVE COMPENSATION:** Following is a summary of changes during the year ended December 31, 1960 in stock options granted at market prices under the company's restricted stock option plan and stock option agreements with certain former employees of Vertol Aircraft Corporation—

| | Options granted | | Options exercisable | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Balance at January 1, 1960 | 106,598 | $3,871,239 | — | $ — |
| Assumption of stock option agreements with certain former employees of Vertol Aircraft Corporation | 23,782 | 644,514 | 715 | 20,292 |
| Options which were granted or became exercisable during 1960 | 650 | 25,025 | 16,752 | 589,464 |
| Options cancelled | (4,432) | (181,814) | | |
| Balance at December 31, 1960 | 126,598 | $4,358,964 | 17,467 | $609,756 |

An additional 107,717 shares are available for future grants under the stock option plan.

Incentive compensation provided for the year 1960 was $2,900,000.

# Accountants' Report



TOUCHE, ROSS, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS
610 WASHINGTON BUILDING
SEATTLE 1, WASHINGTON

March 17, 1961

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the accompanying balance sheet of Boeing Airplane Company as of December 31, 1960 and the related statements of net earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1957, the financial statements referred to above present fairly the financial position of Boeing Airplane Company at December 31, 1960 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on March 17, 1961, in setting aside the sum of $2,900,000 for the year 1960 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Ross, Bailey & Smart
Certified Public Accountants

**General Counsel**
HOLMAN, MICKELWAIT, MARION, BLACK & PERKINS

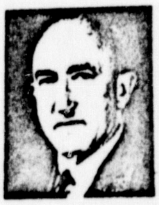
**General Auditors**
TOUCHE, ROSS, BAILEY & SMART

**Transfer Agent**
FIRST NATIONAL CITY TRUST COMPANY, NEW YORK CITY

**Registrar**
THE FIRST NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

**BOEING AIRPLANE COMPANY**
GENERAL OFFICES • 7755 EAST MARGINAL WAY • SEATTLE 24, WASHINGTON

## Officers



**William M. Allen**
President

**C. L. Egtvedt**
Chairman

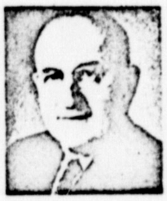
**J. E. Schaefer**
Vice Chairman

**Wellwood E. Beall**
Senior Vice President

**Edward C. Wells**
Vice President—
Engineering

**J. O. Yeasting**
Vice President—General
Manager, Transport Div.

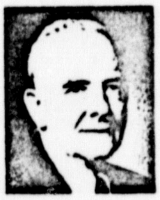
**C. B. Gracey**
Vice President—General
Manager, Wichita Div.



**Fred P. Laudan**
Vice President—
Manufacturing

**A. F. Logan**
Vice President—
Industrial Relations

**J. E. Prince**
Vice President—
Administration,
Secretary



**J. P. Murray**
Vice President

**George C. Martin**
Vice President—Asst.
Gen. Mgr., Aero-Space
Div.

**N. D. Showalter**
Vice President—
Inter'l. Operations

**Lysle A. Wood**
Vice President—General
Mgr., Aero-Space Div.

**J. B. Connelly**
Vice President—Asst.
Gen. Mgr., Trans. Div.

**T. E. Gamlem**
Vice President—Asst.
Gen. Mgr., Transport
Div.

**Robert H. Jewett**
Vice President—Asst.
Gen. Mgr., Aero-Space
Div.

**George Schairer**
Vice President—
Research and Develop't.

**Don R. Berlin**
Vice President—General
Manager, Vertol Div.

**H. W. Haynes**
Vice President—
Finance, and Controller

**Donald J. Euler**
Vice President—
Gen. Mgr.,
Ind. Prod. Div.

**Evan M. Nelsen**
Treasurer

## Directors

**William M. Allen**
President

**Wellwood E. Beall**
Senior Vice President

**Darrah Corbet**
Chairman, Smith
Cannery Machines
Company, Seattle

**C. L. Egtvedt**
Chairman

**D. A. Forward**
Ret. Vice Chairman,
The First National City
Bank of New York

**Artemus L. Gates**
Consultant,
New York City

**Fred P. Laudan**
Vice President—
Manufacturing

**Paul Pigott***
President, Pacific Car
and Foundry Company,
Renton

**William G. Reed**
Chairman, Simpson
Timber Company,
Seattle

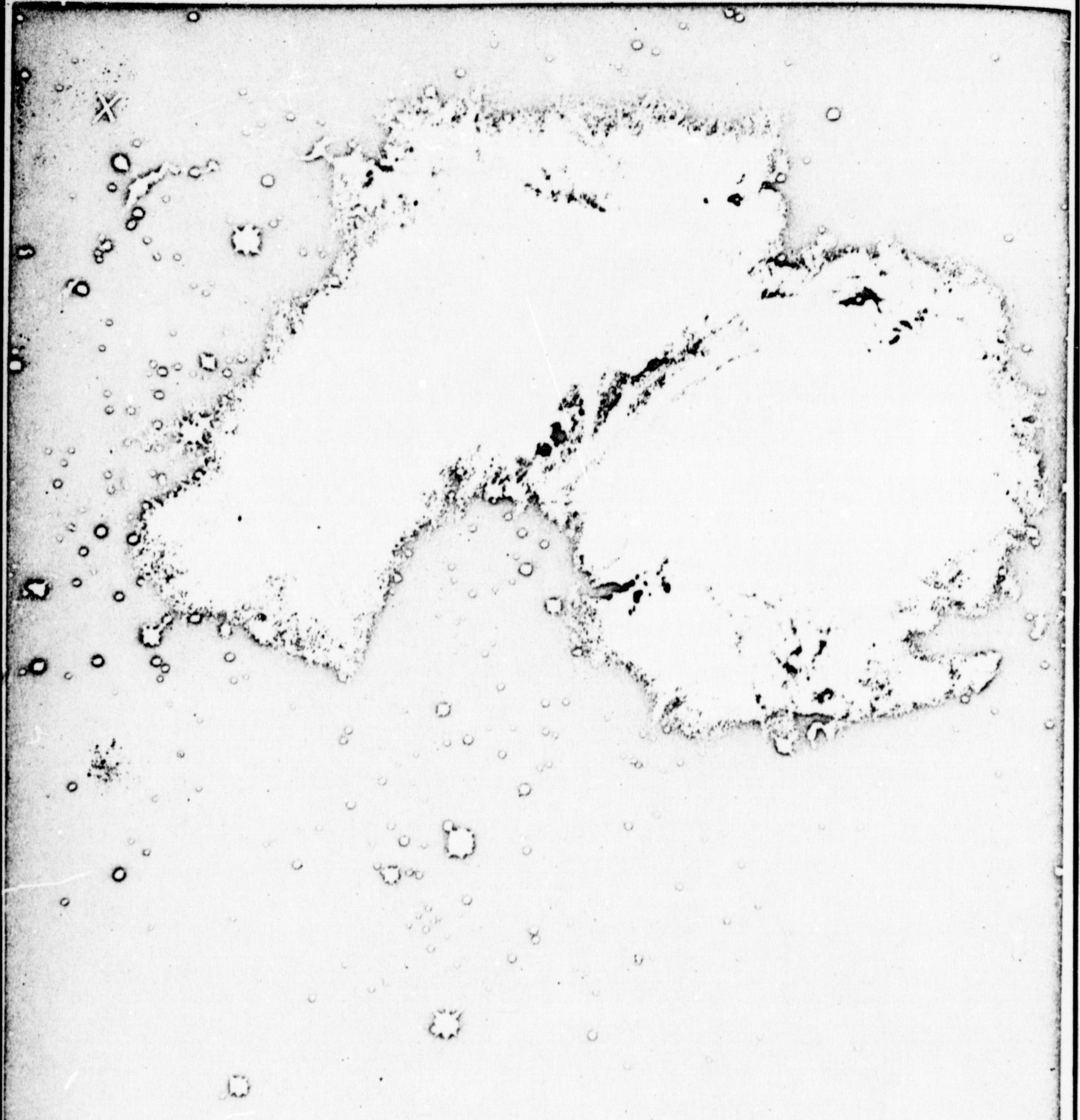
**J. E. Schaefer**
Vice Chairman

**Dietrich Schmitz**
Chairman, Washington
Mutual Savings Bank,
Seattle

**Edward C. Wells**
Vice President—
Engineering

**J. O. Yeasting**
Vice President—General
Manager, Transport Div.

*Deceased Jan. 23, 1961



**THE BOEING COMPANY**

*To Our Stockholders:*

The Directors and officers of the Company cordially invite you to attend the annual and special meetings of stockholders which will be held on Monday, April 25, 1966, at 11:00 A.M. Pacific Daylight Time, at the office of the Company, Seattle, Washington.

The Notice and Proxy Statement on the following pages set forth matters which will be acted upon at the annual and special meetings. One of these mattters is a proposal to amend the Certificate of Incorporation to increase the authorized number of shares which may be issued from 10,000,000 to 30,000,000 shares and to change the number of shares of stock the Company shall have the right to issue after April 25, 1966, to officers and employees without regard to preemptive rights to 258,234 shares. If the stockholders approve this proposal the Board of Directors intends to split-up the outstanding stock by issuing and distributing to each stockholder (as of a record date to be subsequently established) one additional share of stock for each share held.

If the foregoing action is taken, it is anticipated that:

(1) The record date for determining stockholders who will receive the distribution of additional shares will be sometime between April 25, 1966, and the end of May 1966.

(2) Stockholders will retain their present stock certificates.

(3) Certificates representing the additional shares distributable as a result of the stock split-up will be mailed as soon as possible following the record date.

Other matters to be acted upon at the meetings include the election of thirteen Directors, the adoption of an Employee Financial Security Plan, and a proposal to amend the Certificate of Incorporation to eliminate fractional shares.

Because the By-Laws require that the proposed Employee Financial Security Plan be adopted at a special meeting of stockholders, it was concluded that all three proposals should be considered at a special meeting of stockholders held at the same time and place and in conjunction with the annual meeting.

In order to increase the authorized shares so as to permit the stock split-up, adopt the Employee Financial Security Plan, and approve the elimination of fractional shares, the affirmative vote of a majority of the outstanding shares is required on each proposal. For this reason, it will be greatly appreciated if you will sign and return the enclosed proxy in the accompanying envelope in order that you may be represented at the meetings. If you attend the meetings and wish to vote in person, you may withdraw your proxy.

*Sincerely yours,*
WILLIAM M. ALLEN
President

February 28, 1966

## NOTICE OF ANNUAL AND SPECIAL MEETINGS OF STOCKHOLDERS

### APRIL 25, 1966

*To the Stockholders:*

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of The Boeing Company, a Delaware corporation, will be held on Monday, April 25, 1966, at 11:00 A.M. Pacific Daylight Time, at the office of the Company at 7755 East Marginal Way, Seattle, Washington, for the following purposes:

(1) the election of a Board of Directors,

(2) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of The Boeing Company has been called by the Board of Directors to be held at the same time and place and in conjunction with the Annual Meeting for the following purposes:

(1) to consider and vote upon an Employee Financial Security Plan described in the accompanying Proxy Statement,

(2) to consider and vote upon the proposed amendment to the Certificate of Incorporation of the Company recommended by the Board of Directors and set forth in full in the Proxy Statement: (a) increasing the number of authorized shares of stock from 10,000,000 of a par value of $5.00 each to 30,000,000 of a par value of $5.00 each; and (b) changing the number of shares of stock the Company shall have the right to issue after April 25, 1966, to officers and employees of the Company without regard to preemptive rights of stockholders to 258,234 shares, and

(3) to consider and vote upon the proposed amendment to the Certificate of Incorporation of the Company recommended by the Board of Directors and set forth in full in the Proxy Statement providing for the elimination of fractional shares.

Pursuant to the By-Laws, the Board of Directors has fixed the close of business March 10, 1966, as the record date for the determination of the stockholders of the Company entitled to notice of and to vote at the meetings.

So far as the Management is at present aware, no business will come before the Annual or Special Meetings other than the matters set forth above.

J. E. PRINCE
Secretary

Seattle, Washington
February 28, 1966

**If you cannot be present at the meetings personally, it is requested by the Management that you execute and return the enclosed proxy in favor of William M. Allen, C. L. Egtvedt, and William G. Reed, being the President, the Chairman and another Director of the Company, respectively.**

## INSTRUCTIONS FOR SIGNING PROXY

The signature should correspond with the name appearing on the proxy. If the stockholder is a corporation or a partnership, give the full company name as appearing on the proxy and have it signed by a duly authorized officer or partner, showing his title. Where stock stands in more than one name, all holders of record should sign. When signing as executor, administrator, trustee or guardian, please give your full title.

## ANNUAL AND SPECIAL MEETINGS OF STOCKHOLDERS, APRIL 25, 1966
## PROXY STATEMENT

The following statement is made in connection with the solicitation of the enclosed proxy for the Annual and Special Meetings.

Shares represented by properly executed proxies in the accompanying form will be voted; and where instructions have been given by the stockholder, will be voted in accordance with such instructions. As stated in the proxy, if the stockholder does not otherwise specify, his shares will be voted **for the election of a Board of Directors and in favor of the three proposals hereinafter described.** The proxy may be revoked by the stockholder at any time before its exercise.

At the date of this statement, the only business that the Management intends to present or knows that others will present is (1) the election of thirteen Directors, (2) the consideration of and voting upon a proposal to approve the adoption of an Employee Financial Security Plan as hereinafter described, (3) the consideration of and voting upon the proposed amendment of Article FOURTH of the Certificate of Incorporation to increase the authorized stock and to change the number of shares which may be issued to officers and employees of the Company without regard to preemptive rights of stockholders, and (4) the consideration of and voting upon the proposed amendment of Article FOURTH of the Certificate of Incorporation to eliminate fractional shares. If any other matter or matters are properly brought before the meetings, the enclosed proxy gives discretionary authority to the persons named in such proxy to vote the shares in accordance with their best judgment.

### ELECTION OF DIRECTORS

The names of nominees of the Management for the office of Director of the Company are set forth below. It is believed that all such nominees are available for election. Shares represented by properly executed proxies in the accompanying form will be voted for such nominees. However, discretionary authority is reserved to vote such shares in accordance with the best judgment of the persons named in such proxies in the event that any person or persons other than the nominees listed below are to be voted upon at the meeting because of the unavailability of any nominee so listed. With the exception of Mr. T. A. Wilson, all the persons named below are Directors of the Company at the present time. After approximately 49 years of association with the Company Mr. C. L. Egtvedt has requested that he not be renominated as a Director. Mr. T. A. Wilson has been nominated to fill the vacancy. All of the Directors are elected annually and each Director continues in office until his successor has been elected, or until he resigns or has been removed in the manner provided by the By-Laws of the Company. None of the nominees owns beneficially any of the Company's 4½% Convertible Subordinated Debentures due July 1, 1980. (The data as to the equity securities beneficially owned by each nominee is given as of January 20, 1966, and has been supplied by each nominee, except that the data as to Mr. Wilson is given as of February 28, 1966.)

| *Name* | *Principal Occupation* | *Has Served as Director Since* | *Shares of Stock Beneficially Owned* |
|---|---|---|---|
| **William M. Allen** | President of the Company | 1934 | 15,103 |
| **W. L. Campbell** | President, General America Corporation, Seattle, Washington, and its subsidiary fire, auto, casualty and life insurance companies | 1962 | 100 |
| **Artemus L. Gates** | Consultant | 1948 | 648 |
| **Crawford H. Greenewalt** | Chairman of the Board, E. I. duPont de Nemours & Company, Wilmington, Delaware, manufacturers of chemical products | 1964 | 100 |
| **Lowell P. Mickelwait** | Vice President-Industrial and Public Relations of the Company | 1962 | 500 |
| **J. E. Prince** | Vice President-Administration and Secretary of the Company | 1961 | 2,949 |
| **William G. Reed** | Chairman, Simpson Timber Company, Seattle, Washington, manufacturers of forest products | 1951 | 1,446 |
| **D. E. Skinner** | President, Skinner Corporation, Seattle, Washington, diversified investments, including the Alaska Steamship Company | 1962 | 300(1) |
| **Edward C. Wells** | Vice President-Product Development of the Company | 1951 | 5,782 |
| **George H. Weyerhaeuser** | Executive Vice President, Weyerhaeuser Company, Tacoma, Washington, growers, manufacturers and marketers of forest products | 1962 | 300 |
| **Thomas R. Wilcox** | An Executive Vice President, First National City Bank, New York City | 1964 | 103 |
| **T. A. Wilson(2)** | Vice President-Operations and Planning of the Company | – | 672 |
| **J. O. Yeasting** | Vice President-General Manager, Commercial Airplane Division of the Company | 1951 | 5,216 |

(1) Does not include 200 shares held in a trust of which Mr. Skinner is a co-trustee and a beneficiary, and 600 shares owned by the Skinner Corporation of which Mr. Skinner is president and a stockholder owning in excess of 10% of the outstanding shares of stock.

(2) Mr. Wilson has held various executive positions with the Company during the past five years and since October 12, 1962, has been a Vice President of the Company. As an officer he has served as Vice President-Manager, Minuteman Branch, Aero-Space Division, as Vice President-General Manager, Military Airplane Division and as Vice President-Operations and Planning.

## REMUNERATION OF DIRECTORS AND OFFICERS

Set forth below is the aggregate remuneration paid by the Company during the year 1965 (1) to each Director and each of the three highest paid officers of the Company, whose aggregate remuneration exceeded $30,000, and (2) to all Directors and officers of the Company as a group; and the estimated annual benefits each of such persons will be paid under the Company's retirement plan upon retirement at the normal retirement date:

| *Name of Individual or Identity of Group and Capacity in Which Remuneration was Received* | *Aggregate Remuneration*(1) (2) | *Estimated Net Remuneration After Deduction of Estimated Fed. Income Taxes* (3) | *Estimated Annual Benefits Upon Retirement* |
|---|---|---|---|
| **WILLIAM M. ALLEN**<br>President | $ 99,600 | $ 56,000 | $ 26,100 |
| **LOWELL P. MICKELWAIT**(4)<br>Vice President-Industrial and Public Relations | 73,200 | 44,900 | – |
| **J. E. PRINCE**<br>Vice President-Administration and Secretary | 52,200 | 35,100 | 14,700 |
| **EDWARD C. WELLS**<br>Group Vice President-Airplanes | 77,100 | 46,700 | 30,000 |
| **J. O. YEASTING**<br>Vice President-General Manager, Commercial Airplane Division | 89,900 | 52,100 | 20,300 |
| **ALL DIRECTORS AND OFFICERS AS A GROUP** (36 Persons) | $1,505,800 | | $408,400 |

(1) These amounts include awards under the Company's Incentive Compensation Plan which were paid in 1965 relating to the year 1964, but do not include awards deferred pursuant to the terms of Employment Agreements as described in Note (2) below. The Incentive Compensation Plan was first adopted by the stockholders in April 1947 and was last amended by the stockholders in May 1957. The Plan provides, in effect, that for any year the Directors may set aside into a fund an amount not to exceed 6% of net earnings for the year before provision for payments under the Plan and before provision for federal and state income taxes. Out of such funds awards are made to such officers and employees as may be determined by the Incentive Compensation Committee elected by the Board of Directors from its members. Members of the Committee are not eligible for awards and no award in excess of 5% of the fund may be made in any one year to any one officer or employee. With the exception of awards of $500 or less, awards the payment of which are to be deferred pursuant to provisions of an Employment Agreement, and certain other awards which are paid in cash, awards, after withholding for income tax, are paid approximately one-half in cash and one-half in capital stock at the market value thereof on the distribution date; however, awards may be paid up to 100% in cash if capital stock is not available for use under the Plan, or up to 100% in capital stock if the Board of Directors determines it is in the best interest of the Company that a greater portion be paid in capital stock. For the five year period ending December 31, 1965, the awards made under the Plan, excluding those deferred pursuant to the terms of Employment Agreements described in Note (2) below, were as follows: (a) for the Directors and officers named in the above table, Mr. Mickelwait, $22,500, Mr. Prince, $12,300, Mr.

Wells, $17,200 and Mr. Yeasting, $31,200; (b) for all Directors and officers as a group $432,600; and (c) for all employees $11,515,600.

(2) These amounts do not include the deferred compensation, and the estimated annual benefits on retirement resulting therefrom, which the Company will pay pursuant to the terms of Employment Agreements entered into with certain officers of the Company. Such Agreements provide that all or a specified portion of awards made to such officers under the Company's Incentive Compensation Plan and, in the case of Mr. Allen and Mr. Prince only, a portion of the annual basic salary due such officers, shall not be paid to them currently but in lieu thereof shall be credited to deferred compensation accounts and be paid to them over a period of years following their retirement from active employment with the Company. The Agreements further provide that there shall be credited to their accounts for payment to them over the same period, amounts equal to interest at the rate of 4% per annum (5% after February 28, 1966) on amounts credited to their accounts. During 1965, $62,300 of Mr. Allen's salary for the year 1965 was credited to Mr. Allen's account under his Agreement; $10,000 of Mr. Prince's salary for the year 1965 and a $25,000 award under the Incentive Compensation Plan for the year 1964 made to Mr. Prince in March of 1965 were credited to Mr. Prince's account under his Agreement; $36,000 was credited to Mr. Wells' account under his Agreement representing deferral of an award under the Incentive Compensation Plan for the year 1964 made in March of 1965; and $18,000 was credited to Mr. Yeasting's account under his Agreement representing a portion of an award under the Incentive Compensation Plan for the year 1964 made in March of 1965. During 1965, all Directors and officers as a group were credited with $242,300 under their Agreements representing deferred salary and awards under the Incentive Compensation Plan for the year 1964 made in March of 1965. For the five year period ending December 31, 1965, the total deferred compensation credited to the accounts for the Directors and officers named in the above table, were as follows: Mr. Allen, $234,000, Mr. Prince, $49,900, Mr. Wells, $36,000, Mr. Yeasting, $18,000, and the total deferred compensation credited to the accounts of Directors and officers as a group was $428,950.

(3) Estimated federal income taxes have been computed on the assumption that each individual is entitled to two exemptions, files a joint return, and claims the optional standard deduction, but does not give effect to any income other than remuneration from the Company.

(4) This amount does not include the estimated annual benefits payable by the Company to Mr. Mickelwait upon his retirement from active employment with the Company pursuant to the terms of an Employment Agreement entered into as of May 29, 1962, which provides for an annual payment to Mr. Mickelwait during a ten-year period following his retirement, unless he elects to receive all or part of such amount as a lump sum payment, of $1,500 per year for each full year of active employment. Mr. Mickelwait will receive no benefits under the Company's employee retirement plan. The total amount accrued between May 29, 1962, and December 31, 1965, for payment to him following his retirement was $53,750.

### *Stock Options Granted and Exercised*

Between January 1, 1965, and January 20, 1966, the Stock Option Committee, acting pursuant to the provisions of the Stock Option Plan adopted by the stockholders at the Annual Meeting held May 6, 1958, granted only one option to an employee who is a Director or officer of the Company. An option was granted to purchase 2,500 shares of capital stock of the Company of the par value of $5.00 per share at an option price of $71.50 per share. The option price was the closing market price of capital stock of the Company on the

New York Stock Exchange on June 2, 1965, which was the date the option was granted. Such option is evidenced by a stock option agreement between the Company and the employee. The option may be exercised at any time, and from time to time after the expiration of two years after the date of the agreement, but only to the extent of certain maximum cumulative percentages of the optioned shares over the five-year term of the option, as follows: 50% of the optioned shares after two years and 100% after four years. The agreement further provides that the option cannot be exercised while there is outstanding any option previously granted to the employee to purchase stock at a higher price. The option terminates to the extent not previously exercised five years after the date granted and is subject to earlier termination under certain conditions. The employee's rights under the option agreement are nonassignable and the number of shares is subject to adjustment for stock dividends, stock splits, or other changes in the capital stock of the Company. The option is a "qualified stock option" within the meaning of that term as used in Section 421, et seq. of the Internal Revenue Code of 1954 as amended by the Revenue Act of 1964.

Between January 1, 1965, and January 20, 1966, options previously granted for the purchase of shares of the Company's stock under the Company's Stock Option Plan were exercised by the Directors and officers named on page 6, as shown in the following table:

| *Name* | *No. of Shares Purchased* | *Date of Exercise* | *Purchase Price* | *Market Price on Date of Exercise*(1) |
|---|---|---|---|---|
| **WILLIAM M. ALLEN** | 2142 | 3/29/65 | $ 47.917 | $ 60.625 |
| | 2250 | 12/23/65 | 30.50 | 128.50 |
| **EDWARD C. WELLS** | 1356 | 12/22/65 | 47.917 | 130.00 |
| | 1275 | 12/22/65 | 30.50 | 130.00 |
| **J. O. YEASTING** | 1000 | 12/22/65 | 47.917 | 130.00 |

(1) The market price shown is the closing price of the stock of the Company on the New York Stock Exchange on the date of exercise.

During the period January 1, 1965, through January 20, 1966, all Directors and officers of the Company as a group exercised options to purchase shares of the Company's stock as shown in the following table:

| *Period of Purchase* | *No. of Shares* | *Purchase Price* | *Market Price Range*(1) |
|---|---|---|---|
| January — March 1965 | 200 | $ 39.75 | $ 60.375 to $ 70.875 |
| | 2142 | 47.917 | |
| April — June 1965 | 633 | 30.50 | 61.50 to 76.75 |
| | 2036 | 47.917 | |
| July — September 1965 | 250 | 30.50 | 66.25 to 108.00 |
| | 500 | 47.917 | |
| October — December 1965 | 5700 | 30.50 | 98.25 to 140.50 |
| | 4222 | 47.917 | |
| January 1 — January 20, 1966 | 900 | 30.50 | 130.75 to 159.875 |
| | 1020 | 47.917 | |

(1) This is the price range of the stock of the Company on the New York Stock Exchange for the calendar quarter period.

All such options are evidenced by agreements between the Company and the employees to whom such options are granted. Such options may be exercised at any time and from time to time after the expiration of two years after the date of the agreements, but only to the extent of the following cumulative percentages of the total number of shares covered by the options during the periods of time indicated: 2 years after date of agreement, up to 20%; 4 years after date of agreement, up to 40%; 6 years after date of agreement, up to 70%; and 8 years after date of agreement, up to 100%. Such options expire ten years after the date of grant and are subject to earlier termination under certain conditions. The employee's rights under the option agreements are nonassignable and the number of shares is subject to adjustment for stock dividends, stock splits, or other changes in the capital stock of the Company. All options exercised by Directors and officers of the Company are "restricted stock options" within the meaning of that term as used in the Internal Revenue Code of 1954 as amended by the Revenue Act of 1964.

During the five year period ending December 31, 1965, only one option was granted to an employee who is a Director or officer named on page 6 and that was a restricted stock option granted to Mr. Mickelwait in 1962 for 5,000 shares at an option price of $40.875 per share. During the same five year period all Directors and officers as a group were granted restricted or qualified stock options for a total of 10,500 shares as follows: 3,000 shares at an option price of $39.75 per share, 5,000 shares at an option price of $40.875 per share and 2,500 shares at an option price of $71.50 per share. During the same five year period all employees of the Company were granted restricted or qualified stock options for a total of 25,550 shares as follows: 15,750 shares at $39.75 per share, 5,000 shares at $40.875 per share, 500 shares at $35.875 per share, 500 shares at $40.50 per share, 750 shares at $55.875 per share, 500 shares at $63.875 per share and 2,500 shares at $71.50 per share.

During the five year period ending December 31, 1965, restricted stock options previously granted were exercised by Directors and officers named on page 6 as follows: Mr. Allen, 7,392 shares, Mr. Mickelwait, 1,000 shares, Mr. Prince, 2,171 shares, Mr. Wells, 4,331 shares and Mr. Yeasting, 2,600 shares. During the same five year period restricted stock options previously granted were exercised by Directors and officers as a group for a total of 34,982 shares and were exercised by all employees of the Company for a total of 54,774 shares.

### *Voluntary Savings Plan*

As a result of collective bargaining negotiations during the fall of 1965, an Employee Voluntary Savings Plan was adopted by the Board of Directors on October 25, 1965, and became effective December 1, 1965. All employees of the Company within each collective bargaining unit which has agreed to the Plan and all employees not within a collective bargaining unit are eligible to participate in the Plan. Under the Plan, employees, including officers, participate by contributing through payroll deduction from 1% to 5% of their base wage or salary which is credited to the employee's account under the Plan. The Company contributes an amount equal to 50% of the employee's contribution to a separate Company account for the employee. The funds of both accounts are transferred to a bank as trustee for investment in a diversified portfolio of common stocks, preferred stocks, bonds, debentures and similar securities. Net earnings or losses of the trust fund are allocated proportionately to the employee's account and the Company account for the employee. The employee is entitled to the full balance of both accounts in the event of termination of his employment because of death, total disability, entry into the U.S. Armed Forces, retirement on or after the normal retirement date under a retirement plan sponsored by the Company, or lay-off for 31 days or more. If his employment is terminated for any other reason, he is entitled to the full balance of his employee account and a vested percentage of his Company account as follows: 20% of the value of contributions made in the first calendar year preceding the year of termination, 40% of the value of contributions made in the second year, 60% of the value of contributions made in the third year, 80% of the value of contributions made in the fourth year and 100% of the value of contributions made in the fifth year and all earlier years preceding termination. The employee may withdraw funds from his employee account but not from the Company account. As of December 31, 1965, 76,777 employees, of the approximately 90,000 eligible to do so, were participating in the Plan. For the month of December 1965, which was the first month following the effective date, the Company contributed $1,296,159 with respect to the participating employees, including $2,005 with respect to the participating Directors and officers. Of this latter amount, the following contributions were made by the Company with respect to the Directors and officers named on page 6: Mr. Allen, $191.00; Mr. Mickelwait, $105.00; Mr. Prince, $105.00; and Mr. Yeasting, $92.00.

## PROPOSAL TO APPROVE ADOPTION OF EMPLOYEE FINANCIAL SECURITY PLAN

As a result of recent collective bargaining, an agreement was reached for the adoption of an Employee Financial Security Plan which provides for the establishment of a trust fund for the payment of benefits to employees upon termination of employment or in the event of extended absence from work due to illness. All employees of the Company within a collective bargaining unit which has agreed to the Plan and all employees not within a collective bargaining unit, which will be approximately 70,000 employees, will become members of the Plan. The Board of Directors has approved the submission of the proposed Plan to the stockholders at the Special Meeting to be held in conjunction with the Annual Meeting. The adoption of the Plan is subject to approval of the stockholders and the Internal Revenue Service and if approved will become effective May 1, 1966, or as soon thereafter as practicable.

Under present arrangements for sick leave, a portion of an employee's unused sick leave credits each year are transferred to a "reserve account" for the employee until a maximum of 200 hours has accumulated. These reserve sick leave credits, if not otherwise used on account of sickness, have been kept available as the basis for payment of equivalent base compensation at the time of termination of employment.

Under the Employee Financial Security Plan, the Company will make current contributions into a trust fund out of its current and accumulated earnings and profits, as follows:

(1) As of the effective date of the Plan the Company will make a contribution with respect to each eligible employee who has unused hours as of that day credited to his sick leave reserve account up to the maximum of 200 hours. The amount of the contribution will be equal to the number of hours in his reserve account multiplied by his hourly rate of base compensation as of that date.

(2) As of the first day of each month following the effective date of the Plan the Company will make a contribution with respect to each employee whose annual eligibility date fell in the preceding month and who had accumulated additional credit hours in his reserve account up to the maximum of 200 hours. The amount of such contribution will be equal to the number of additional hours credited to his sick leave reserve account as of his eligibility date multiplied by his hourly rate of base compensation as of that date.

No contributions by the employees are required or permitted.

The Company's contributions to the trust fund will be invested by a bank as trustee in a balanced portfolio of securities which may include capital stock of The Boeing Company to the extent of 5% of the total book value of the fund. Income of the fund, as well as any capital appreciation or depreciation, will be allocated proportionately to the account maintained for each member.

The proposed Plan provides a means which will allow reserve sick leave credits to be invested for the benefit of employees. Also, the Plan will constitute a qualified profit sharing plan under the Internal Revenue Code and accordingly will offer the tax benefits customary to such a qualified plan including capital gain treatment for employees of lump sum benefits paid upon termination of service.

A member who is absent from work because of sickness may elect to withdraw from his account an amount equal to any reduction in earnings suffered because of the sickness. Such a withdrawal will be accompanied by an appropriate reduction in the member's outstanding sick leave hours under the Plan. As additional credit hours in his reserve account are accumulated following a withdrawal to the maximum of 200 hours, the Company will make further contributions to the trust fund.

The full balance of a member's account will be payable to the member or his beneficiary upon the termination of his service with the Company for any reason. Benefits will normally be payable in a lump sum. However, members who are retiring under a Company retirement plan may elect to receive the benefits in monthly installments, or in the form of an annuity, or if retiring under the Employee Retirement Plan, as additional benefits thereunder, provided that the same alternate manner of payment has been elected under the Employee Voluntary Savings Plan.

It is the intention of the Company that the Plan will continue indefinitely, but the Board of Directors may, at any time and for any reason, modify, amend or terminate the Plan. The Plan does not require stockholder approval of any such action.

If the Plan had been in effect during the year ending December 31, 1965, and if all eligible employees had participated, the approximate amounts which would have been payable in the event of sickness or termination are set forth separately in the following table for (1) the Directors and officers named on page 6, (2) all Directors and officers as a group, and (3) all employees:

| *Name* | *Maximum Payment*(1) |
|---|---|
| WILLIAM M. ALLEN | $ 3,846 |
| LOWELL P. MICKELWAIT | 3,173 |
| J. E. PRINCE | 3,173 |
| EDWARD C. WELLS | 3,077 |
| J. O. YEASTING | 3,077 |
| ALL DIRECTORS AND OFFICERS AS A GROUP | $ 55,011 |
| ALL EMPLOYEES | $36,600,000 |

(1) These amounts do not take into account the allocable portion of the income which would accrue to the trust fund during the year or any increase or decrease in the market value of the trust fund during the year.

The Management of the Company recommends adoption of the proposed Employee Financial Security Plan as being in the best interests of the Company.

The affirmative vote of a majority of the outstanding shares is required for adoption of the Employee Financial Security Plan by the stockholders.

## PROPOSAL TO INCREASE AUTHORIZED SHARES AND TO CHANGE NUMBER OF SHARES WHICH MAY BE ISSUED FREE OF PREEMPTIVE RIGHTS

On February 28, 1966, the Board of Directors of the Company adopted resolutions:

1. Declaring it advisable that the Certificate of Incorporation of the Company be amended to (a) increase the number of authorized shares of stock from 10,000,000 of the par value of $5.00 each to 30,000,000 of the par value of $5.00 each; and (b) change the number of shares of stock which the Company shall have the right to issue after April 25, 1966, to officers and employees of the Company without regard to preemptive rights of stockholders to 258,234 shares;

2. Calling a special meeting of stockholders, to be held in conjunction with the Annual Meeting on April 25, 1966, to consider the proposed amendment; and

3. Stating that it is the intention of the Board if the stockholders adopt such amendment to split-up the outstanding stock by issuing and distributing to each stockholder (as of a record date to be subsequently established) one additional share for each share then held.

Article FOURTH of the Certificate of Incorporation presently reads as follows:

> "FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 10,000,000 of the par value of $5.00 each.
>
> The Corporation shall have the right from time to time to issue and sell to officers or employees of the Corporation or its subsidiaries not exceeding in the aggregate 200,000 shares of such stock at such prices and pursuant to such other terms and conditions as shall be provided by such stock purchase, stock option, bonus, profit sharing or incentive compensation plan or plans and amendments thereto as shall, from time to time, be adopted, and no stockholder shall have any preemptive right in or premptive right to subscribe to any shares of such stock so issued and sold; provided, that after April 24, 1956, upon declaration by the Board of Directors of any stock dividend, and irrespective of the limitations previously stated, the number of unissued shares of the Corporation's stock authorized for issuance and sale to officers and employees of the Corporation or its subsidiaries for such purposes and in regard to which no stockholder shall have any preemptive right, shall be the number of unissued shares of such stock immediately prior to such declaration, increased at the declared rate of such stock dividend; provided further, that the authorization to issue shares for the purposes herein stated shall not limit the authority of the Corporation to issue any authorized but unissued shares for any other lawful corporate purpose."

The Board of Directors recommended that Article FOURTH of the Certificate of Incorporation be amended to read as follows:

> "FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 30,000,000 of the par value of $5.00 each.

In addition to the shares of such stock issued prior thereto for such purposes, the Corporation shall have the right from time to time after April 25, 1966, to issue and sell to officers or employees of the Corporation or its subsidiaries not exceeding in the aggregate 258,234 shares of such stock at such prices and pursuant to such other terms and conditions as shall be provided by such stock purchase, stock option, bonus, profit sharing or incentive compensation plan or plans and amendments thereto as shall, from time to time, be adopted, and no stockholder shall have any preemptive right to subscribe to any shares of such stock so issued and sold; provided, that after April 25, 1966, upon declaration by the Board of Directors of any stock dividend, and irrespective of the limitations previously stated, the number of unissued shares of the Corporation's stock authorized for issuance and sale to officers and employees of the Corporation or its subsidiaries for such purposes and in regard to which no stockholder shall have any preemptive right, shall be the number of unissued shares of such stock immediately prior to such declaration, increased at the declared rate of such stock dividend; provided further, that the authorization to issue shares for the purposes herein stated shall not limit the authority of the Corporation to issue any authorized but unissued shares for any other lawful corporate purpose."

### *Increase in Authorized Shares and Proposed Stock Split-up*

If the proposed amendment becomes effective, the number of authorized shares of stock, of the par value of $5.00 each, will be increased from 10,000,000 shares to 30,000,000 shares. Such an increase is required so as to permit the stock split-up proposed to be effected by the distribution of one additional share for each presently outstanding. The Directors believe that such amendment and the proposed stock split-up will broaden the market for the shares and will result in a wider distribution of the shares and increase the number of stockholders, all of which are considered to be advantageous to the Company. The record date has not yet been established but is expected to be sometime between April 25, 1966, and the end of May 1966. The additional shares will be listed on the New York Stock Exchange prior to issuance.

Of the presently authorized 10,000,000 shares of stock, 8,247,779 shares were issued and outstanding as of February 28, 1966, 438,652 shares were reserved for issuance upon conversion of the Company's 4½% Convertible Subordinated Debentures, and 58,234 shares were reserved for issuance upon the exercise of options granted under the Company's Stock Option Plan. The Indenture under which such Debentures were issued and the Stock Option Plan both provide that in the event of a stock dividend or split-up, the number of shares issuable upon conversion of such Debentures or exercise of such stock options shall be increased accordingly. Thus, on the basis of the shares issued and outstanding and reserved for issuance under the Indenture and the Stock Option Plan as of February 28, 1966, a total of 8,744,665 additional authorized shares would be required to give effect to the stock split-up proposed by the Directors.

To allow for the effect of the stock distribution, there will be transferred from the Company's retained earnings account to the Company's capital stock account the par value of $5.00 per share for each share of stock issued and distributed, which would aggregate $43,723,325 based on the number of shares which would be required as of February 28, 1966.

Charges for brokerage commissions and New York State stock transfer taxes would be higher after the proposed stock split-up for transactions involving equivalent dollar amounts of stock. For example, in the case of a sale on the New York Stock Exchange of 100 shares at a price of $167.25 per share (which was the closing price of the Company's stock on said Exchange on February 28, 1966), such charges would be $59.73, whereas they would be $102.72 to sell 200 shares at an assumed price of $83.625 per share.

That portion of the 30,000,000 shares proposed to be authorized which are not required to effect the stock split-up would be available for future issuance for various corporate purposes at the discretion of the Board of Directors and without further authorization by the stockholders (except as may be required by law or the rules of national securities exchanges in particular types of transactions), including the acquisition of additional capital involving issuance of stock or the declaration of stock dividends. The Company has announced that the investments in plant and equipment and for other requirements necessary to meet the demand for commercial jet transport aircraft and military helicopters and to provide the resources necessary to support current and prospective missile, space and military aircraft programs are of such magnitude that a financing program which might involve some equity may be desirable. However, the Company has not as of this date adopted any specific financing program. In the event of the issue of any such shares for cash (other than for the purposes set forth in the second paragraph of Article FOURTH of the Certificate of Incorporation) each holder would be entitled to the preemptive rights accorded to him under the laws of the State of Delaware to purchase his pro rata portion of such shares within such time and on such terms as shall be determined by the Board of Directors.

### *Shares Issuable to Officers and Employees Free of Preemptive Rights of Stockholders*

In May 1947 when the Incentive Compensation Plan described on page 6 was first adopted, 100,000 shares of stock were freed from preemptive rights of stockholders for the purposes set forth in the second paragraph of Article FOURTH of the Certificate of Incorporation. Since then an amendment to the second paragraph of Article FOURTH increased that number to 200,000 shares in 1954 and stock dividends declared in 1956, 1957, 1958 and 1959 have resulted in an aggregate of 414,975 shares of stock of the Company being freed from preemptive rights through February 28, 1966. Of this total, 265,506 have been issued under the Incentive Compensation Plan and under the Company's Stock Option Plan described on page 7, which are the only plans of the type referred to that have been adopted.

As of February 28, 1966, 149,470 shares of stock remain available free of preemptive rights, of which 58,234 shares have been reserved for issuance upon the exercise of options granted under the Stock Option Plan and the remaining 91,236 are currently uncommitted. While both the Incentive Compensation Plan and the Stock Option Plan provide that the Company may issue previously issued stock which has been reaquired to fulfill the stock requirements of the plans, the Directors believe that the availability of authorized but unissued stock for issuance under both plans has been beneficial to the Company and that the continued availability of an adequate number of authorized but unissued shares for use under such plans is in the best interests of the Company. Accordingly the Directors have recommended that the number of shares available for use under both plans (after taking into account those reserved for issuance upon the exercise of options) which was 91,236 as of February 28, 1966, be increased to 200,000 shares by increasing the number of shares available after April 26, 1966, to 258,234 shares, which includes the 58,234 shares reserved for existing options. Upon the distribution of the additional shares pursuant to the proposed stock split-up to be effected by the distribution of one additional share for each share presently outstanding, this number, less any shares issued prior thereto under the Incentive Compensation Plan or upon the exercise of existing options, will be doubled.

The stock portion of awards to be made under the Incentive Compensation Plan in March 1966 for the year 1965 will be paid prior to the stock split-up with authorized but unissued stock presently available for this purpose. The Company has no present plan to issue any additional options under the Stock Option Plan.

Financial statements directly relating to the proposed amendment of the Certificate of Incorporation are not being furnished, inasmuch as such statements are not deemed material to enable stockholders to exercise prudent judgment as to such proposed amendment.

The affirmative vote of a majority of the outstanding shares is required to authorize such amendment of the Certificate of Incorporation.

## PROPOSAL TO ELIMINATE FRACTIONAL SHARES

On February 28, 1966, the Board of Directors of the Company adopted the following resolution:

"RESOLVED, that the Board of Directors hereby declares it advisable that the Certificate of Incorporation be amended to eliminate fractional shares, such amendment to be effected by adding a new third paragraph to Article FOURTH of the Certificate of Incorporation to read as follows:

> "Effective as of August 1, 1966, the stock of the Corporation shall be changed to eliminate all fractions of one share that may then exist. In lieu of each such fraction of one share there shall be created a money obligation of the Corporation in an amount equal to said fraction multiplied by the closing price per share of such stock on the New York Stock Exchange on August 1, 1966, such amount to be paid by the Corporation after such date to the person or persons entitled thereto conditioned only upon the surrender of the fractional share certificate to the Corporation's Transfer Agent. No money obligation or payment provided for in this paragraph shall be a charge upon or against the capital stock account of the Corporation."

and adopted a resolution calling a special meeting of stockholders to be held in conjunction with the Annual Meeting on April 25, 1966, to consider the proposed amendment. The full text of the present Article FOURTH of the Certificate of Incorporation is set forth above on page 12.

Fractions of shares of stock of the Company have been outstanding since the Company was organized in 1934. As of February 28, 1966, fractions which total 178 full shares were held by 207 stockholders. The cost to the Company of mailing to each holder of a fraction of a share an Annual Report, a Proxy Statement, quarterly reports, quarterly dividend checks and other stockholder information reports is the same as for mailing such items to the holders of one or more whole shares. The Company has made repeated efforts to reduce its costs by providing facilities and arrangements whereby the holders of fractions of shares could, at no cost to them, buy or sell such fractions and consolidate fractions into whole shares. The Company has been quite successful in reducing the number of fractions outstanding and it is now believed that the certificates for most of the fractions remaining outstanding have been lost or destroyed and that further efforts for consolidation would be futile. Accordingly, the Directors have proposed that such fractions of shares be eliminated effective as of August 1, 1966, by amendment of the Certificate of Incorporation. However, the rights of the holders of such fractions are to be protected by providing the period from April 25, 1966 to August 1, 1966 to allow such holders to buy and consolidate fractions, through the Transfer Agent, prior to the latter date, and by paying to the holders of any fractions remaining outstanding after August 1, 1966, the market value of such fractions as of such date. In addition, at the time of

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distribution of additional shares in connection with the stock split-up, the holders owning fractions of a share will be mailed "fractional share paper" pursuant to which, during the period ending not later than August 1, 1966, they may buy and consolidate their fractions and additional fractional rights into whole shares or they may sell, through the Transfer Agent, such fractions and fractional rights.

The affirmative vote of a majority of the outstanding shares is required to authorize such amendment of the Certificate of Incorporation.

## OUTSTANDING SECURITIES, VOTING RIGHTS AND REVOCATION OF PROXY

The Company has only one class of stock, namely, capital stock with voting rights, and had outstanding 8,247,779 shares of stock on February 28, 1966. The close of business March 10, 1966, has been fixed by the Board of Directors as the record date for determination of the stockholders of the Company entitled to notice of and to vote at the Annual and Special Meetings.

Stockholders of the Company have cumulative voting rights as follows: At all elections of Directors of the Company each stockholder shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for or any two or more of them as he may see fit.

## SOLICITATION AND EXPENSES OF SOLICITATION

The enclosed proxy is solicited by the Management of the Company. All expenses of soliciting proxies, including clerical work, printing and postage, will be paid by the Company.

The Company has retained Dudley F. King & Co., Inc., 48 Wall Street, New York, New York, 10005, to aid in the solicitation of proxies. Proxies will be solicited by personal interview, mail and telephone; and brokerage houses, other custodians and nominees will be requested to forward soliciting material to the beneficial owners of the stock held of record by such parties. It is estimated the cost for these services will be $14,000. The Company will, in addition, reimburse parties holding stock in their name or in that of their nominee for their reasonable charges in sending proxies and proxy material to their principals.

By order of the Board of Directors

WILLIAM M. ALLEN
President

February 28, 1966

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# AFFIDAVIT

State of Washington )
                    )    ss.
County of K I N G   )

Roland W. Heiden, being duly sworn, deposes and says:

That he is over 21 years of age and is employed by Heiden's Mailing Bureau, Seattle, Washington;

That pursuant to instructions given to said Heiden's Mailing Bureau by Mr. J. E. Prince, Secretary of The Boeing Company, deponent received from Mail Advertising Bureau addressed gummed mailing labels which had been sent to said Mail Advertising Bureau from First National City Bank; also that said Heiden's Mailing Bureau received addressed proxy cards for The Boeing Company 1966 Annual and Special Meetings of Stockholders directly from First National City Bank; that one of said proxy cards, together with a Notice of Annual and Special Meetings of Stockholders, proxy statement and a return envelope with prepaid first-class postage, all in the forms attached hereto as Exhibit A, were mailed as third-class matter with postage prepaid from March 31 through April 4, 1966, to each address shown on said proxy cards by depositing the same in the United States mails at Seattle, Washington; and

That said gummed labels were applied to copies of the 1965 Annual Report of The Boeing Company and that the same were mailed as third-class matter with postage prepaid on March 24 to March 30, 1966, to each address shown on said labels by depositing the same in the United States mails at Seattle, Washington.

Roland W. Heiden

Subscribed and sworn to before me this 8th day of April, 1966.

Barbara Joan Hildahl
Notary Public in and for the State of Washington, residing at Seattle

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## CERTIFICATE

I, H. V. Kohr, hereby certify that I am an Assistant Secretary of The Boeing Company, a Delaware Corporation, and that the attached four and one-half pages constitute a true and complete extract from the minutes of the meeting of the Board of Directors of said Company held February 28, 1966, pertaining to discussion of and action on the Company's financing.

In witness whereof, I have hereunto subscribed my name and affixed the seal of said corporation this 28th day of February, 1967.

H. V. Kohr

H. V. Kohr
Assistant Secretary

~~of the directors that they withhold action on it until they had completed consideration of the next order of business.~~

Mr. Allen then introduced the subject of the Company's financing, referring to discussions he had with the Board at the last meeting, which indicated that the Company was planning on retaining investment bankers to advise on our financing program and to serve as underwriters in the event the program moved forward. He advised that the firm retained was The First Boston Corporation with Drexel Harriman Ripley, Securities Corporation, as associate underwriters to participate in any financing which might be forthcoming. Mr. Haynes, with the use of charts, made a presentation relating to the proposed financing program and there was then extensive discussion of alternative modes of action as compared with management's proposals in this area. Mr. H. F. Olsen of counsel then entered the meeting and distributed to the directors copies of a tentative time schedule, enabling resolutions, and drafts of the proposed proxy material for the forthcoming Annual and Special Meetings of Stockholders. He reviewed the salient points in the first two items of this material and, after further discussion, upon motion made and seconded, it was unanimously

> RESOLVED, that the Board of Directors hereby declares it advisable that the Certificate of Incorporation of the Company be amended:
>
> (a) To increase the total number of shares of stock that the Company shall have authority to issue from 10,000,000 to 30,000,000 shares; and
>
> (b) To change the number of shares of stock that the Company shall have the right to issue after April 25, 1966, to officers or employees of the Company without regard to the preemptive rights of stockholders to 258,234 shares.
>
> RESOLVED FURTHER, that such amendment to the Certificate of Incorporation be effected by amending Article FOURTH thereof to read as follows:

"FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 30,000,000 of the par value of $5.00 each.

The Corporation shall have the right from time to time after April 25, 1966, to issue and sell to officers or employees of the Corporation or its subsidiaries not exceeding in the aggregate 258,234 shares of such stock at such prices and pursuant to such other terms and conditions as shall be provided by such stock purchase, stock option, bonus, profit sharing or incentive compensation plan or plans and amendments thereto as shall, from time to time, be adopted and no stockholder shall have any preemptive right in or preemptive right to subscribe to any shares of such stock so issued and sold; provided, that after April 25, 1966, upon declaration by the Board of Directors of any stock dividend, and irrespective of the limitations previously stated, the number of unissued shares of the Corporation's stock authorized for issuance and sale to officers and employees of the Corporation or its subsidiaries for such purposes and in regard to which no stockholder shall have any preemptive right, shall be the number of unissued shares of such stock immediately prior to such declaration, increased at the declared rate of such stock dividend; provided further, that the authorization to issue shares for the purposes herein stated shall not limit the authority of the Corporation to issue any authorized but unissued shares for any other lawful corporate purpose.

RESOLVED FURTHER, that it is the present intention of the Board of Directors, in the event the proposed amendment of the Certificate of Incorporation is adopted and approved at the special meeting of stockholders to be held in conjunction with the Annual Meeting on April 25, 1966, to split up the outstanding stock by issuing and distributing to each stockholder (as of a record date to be subsequently established) without additional consideration one additional share of stock for each whole share held.

Further, upon motion made and seconded, it was unanimously

RESOLVED, that the Board of Directors hereby declares it advisable that the Certificate of Incorporation be amended to eliminate fractional shares, such amendment to be effected by adding a new third paragraph to Article FOURTH of the Certificate of Incorporation to read as follows:

> "Effective as of August 1, 1966, the stock of the Corporation shall be changed to eliminate all fractions of one share that may then exist. In lieu of each such fraction of one share there shall be created a money obligation of the Corporation in an amount equal to said fraction multiplied by the closing price per share of such stock on the New York Stock Exchange on August 1, 1966, such amount to be paid by the Corporation after such date to the person or persons entitled thereto conditioned only upon the surrender of the fractional share certificate to the Corporation's Transfer Agent. No money obligation or payment provided for in this paragraph shall be a charge upon or against the capital stock account of the Corporation.

Further, upon motion made and seconded, it was unanimously

RESOLVED, that a special meeting of the stockholders of The Boeing Company be and hereby is called to be held at the same time and place and in conjunction with the Annual Meeting, to-wit, on Monday, April 25, 1966, at 11:00 A.M. at the office of the Company, 7755 East Marginal Way South, Seattle, Washington, for the purpose of considering and voting upon the following matters which are described in preceding resolutions:

1. the adoption of the proposed Employee Financial Security Plan;
2. the proposed amendment of Article FOURTH of the Certificate of Incorporation to increase the authorized stock and to change the number of shares which may be issued to officers and employees of the Company without regard to preemptive rights of stockholders; and
3. the proposed amendment of Article FOURTH of the Certificate of Incorporation to eliminate fractional shares.

Further, upon motion made and seconded, it was unanimously

RESOLVED, that it is the present intention of the Board to pay, as of a record date to be fixed at a future meeting, the second quarter cash dividend of 50¢ a share on the presently outstanding shares prior to the proposed stock split becoming effective, and, if the stockholders adopt the proposed amendment to the Certificate of Incorporation increasing the authorized stock of the Company, to establish, subject to the availability of earnings and the requirements of the Company for funds, a quarterly cash dividend rate of 30¢ per share on the shares outstanding after the proposed stock split becomes effective.

Further, upon motion made and seconded, it was unanimously

RESOLVED, that the President, Vice President-Finance, or Treasurer of the Company, or any one of such officers, is hereby authorized to take all such action as they or any one of them deems appropriate or necessary to call for redemption on a date to be selected by them or any one of them, all of the 4-1/2% convertible subordinated debentures of the Company then outstanding under the Indenture dated July 1, 1958, between Boeing Airplane Company (name changed to The Boeing Company) and The Chase Manhattan Bank, Trustee.

Further, upon motion made and seconded, it was unanimously

RESOLVED, that the President, Vice President-Finance, or either of them, is hereby authorized:

1. To prepare an offer to the holders of record of the issued and outstanding full shares of capital stock of the Company of rights to subscribe either to additional shares of capital stock of the Company, or to securities convertible into such shares, as they or either of them determine after consulting with the underwriters, the number of shares or convertible securities to be offered for each share held, the subscription price at which such shares or convertible securities are to be offered and the record date as of which such shares or convertible securities are to be offered to be determined or approved by the Board of Directors prior to the submission of such offer to the stockholders of the Company.

2. To negotiate with The First Boston Corporation and Drexel Harriman Ripley, Securities Corporation, an underwriting agreement pursuant to which such firms will, with other underwriting firms to be selected by them, underwrite such subscription offer and agree to purchase all stock or convertible securities offered to, but not subscribed by, the stockholders of the Company, the price at which such unsubscribed stock or convertible securities shall be sold to the underwriters and the compensation to be paid to the underwriters for underwriting the subscription offer, to be determined or approved by the Board of Directors prior to the making of such offer to the stockholders of the Company.

3. To take all such action which they or either of them deems necessary or advisable to cause to be prepared, signed and filed with the Securities and Exchange Commission a Registration Statement on Form S-1 relating to such stock or convertible securities and all such exhibits thereto and other instruments,

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documents, consents and agreements and amendments and supplements thereto, including application to the New York Stock Exchange and applications for permits or registration statements under state securities or blue sky laws, as they or either of them deem necessary or advisable.

**RESOLVED FURTHER**, that the signature of any Director or officer of the Company required by law to affix his signature to any registration statement, application, agreement or consent relating to the authorization and sale of stock or convertible securities of the Company pursuant to the foregoing resolution or to any amendments thereto may be affixed by said Director or officer personally or by any Attorney-in-Fact duly constituted in writing by such Director or officer to sign his name thereto.

**RESOLVED FURTHER**, that the proper officers of the Company are hereby authorized to take all such further action and execute and deliver all such further instruments and documents, in the name and on behalf of the Company and under its corporate seal or otherwise, and to pay such expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and accomplish the purposes of the foregoing resolutions, and that any action which has heretofore been taken by such officers for such purposes is hereby approved and ratified.

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L I M I T E D

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2-28-66
HFO

## BOEING 1966 FINANCING TENTATIVE TIME TABLE

(given to Directors 2-28-66 by HFO)

based on underwriters accelerated

| DATE | | EVENT |
|---|---|---|
| Earliest possible | Realistic probable | |
| 2/28 | 2/28 | Directors Meeting |
| | | 1. Authorizes increase in stock |
| | | 2. Declares intent to split |
| | | 3. Authorizes call of Debentures |
| | | 4. Declares 2nd quarter cash dividend |
| | | 5. Declares intent post split cash dividend policy |
| | | 6. Authorizes filing S-1 |
| 3/7 | 3/7 | Call Debentures |
| 3/15 | 3/22 | File S-1 |
| 3/28 | 3/28 | Debenture conversion rights expire |
| 4/6 | 4/16 | Redeem Debentures |
| 4/7 | 4/14 | Directors Meeting to approve offering terms |
| 4/8 | 4/15 | Sign underwriting agreement |
| 4/8 | 4/15 | Offer rights to stockholders |
| 4/25 | 4/25 | Stockholders Meeting |
| 4/25 | 4/25 | Board organizational meeting |
| | | 1. Directs split |
| 4/25 | 5/2 | Rights to subscribe expire |
| 4/26 | 4/26 | Amendment Cert. of Inc. effective |
| ---- | ----- | Record date 2nd quarter cash dividend |
| 5/3 | 5/10 | Close with underwriters |
| 5/10 | 5/17 | Record stock split |
| 5/26 | 6/2 | Distribute stock split |
| 6/10 | 6/10 | Pay 2nd quarter cash dividend |

34

36 ✓THE BOEING COMPANY - - - NEWS RELEASE NO. S-8726

XX. [illegible]

1. SUBJECT: BOEING REPORTS 1965 SALES, NET EARNINGS

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S-8726

**FROM:** News Bureau
The Boeing Company
Seattle, Washington 98124
Phone: Area 206, 656-2541

**FOR IMMEDIATE USE**

BOEING REPORTS 1965 SALES, NET EARNINGS

SEATTLE, Washington, February 28--Net earnings of $78,268,00 for the year 1965 on sales of $2,023,402,000 were reported today for The Boeing Company by William M. Allen, president, at the monthly board of directors meeting.. Earnings in 1964 were $45,324,000 on sales of $1,982,726,000.

Allen also reported that the board of directors will recommend that the stockholders approve an increase in the authorized capital stock of the company from 10,000,000 to 30,000,000 shares. He further stated that if the stockholders approve such increase in capital stock it is the present intention of the board to split the stock on a two-for-one basis and to establish a quarterly cash dividend rate of 30 cents per share on the split shares.

The board also indicated that the regular second quarter cash dividend of 50 cents per share will be paid on the stock currently outstanding, as of a record date to be established at a later meeting.

The company's management was also authorized to call for redemption at a future date all of the company's outstanding 4½ per cent convertible subordinated debentures.

The 1965 earnings figures represent a 3.9 per cent profit margin. Earnings per share for 1965 on the 8,187,140 shares outstanding were $9.56, compared with $5.64 in 1964.

Commercial sales for the year were $1,003,000,000, missiles and space $609,000,000 and military aircraft $411,000,000.

-more-

The backlog on December 31, 1965, was $3,148,000,000, compared with $1,844,000, on the same date in 1964. Major contributors to the backlog were orders for 418 commercial jet aircraft announced during the year.

In commenting on the increased profitability, Allen said: "It is primarily attributable to continued favorable development on the commercial jet transport and military helicopter programs. Our policy of charging research, development, testing and certain other initial production costs against earnings in the earlier phases of commercial jet transport and straight fixed-price military programs is properly conservative in light of the high-risk nature of such programs. It results in reported profit margins in the later stages of a successful program being substantially higher than the cumulative overall program margins."

With increased commercial jet transport deliveries, helicopter production doubled and other major company programs on a profitable basis, Allen said that sales and earnings should remain at a relatively high level during 1966. He pointed out, however, that the high volume of commercial sales is due to a considerable extent to the rapid growth in air travel. He added that while it is confidently expected that growth will continue, the rate of growth is dependent upon various factors which cannot be accurately predicted. He stated that in the international field Boeing competes with companies which are either nationally owned or subsidized and that domestically the number of companies competing for government business in the aerospace field has increased sharply.

"It has always been our position, however, that competition makes for a better product and a more aggressive company," he said.

In looking to the future, Allen said that increasingly heavy investments for plant and equipment and other requirements will be necessary to meet the demand for commercial jet transports and military helicopters and to provide the resources necessary to support current and prospective missile, space and military aircraft programs.

He added that such investments are of such magnitude that a financing program involving some equity may be desirable in the near future.

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NEW YORK STOCK EXCHANGE
DEPARTMENT OF STOCK LIST
N. YORK, N Y

1-11015-113 AT A MEETING ON FEBRUARY 28, 1966 DIRECTORS OF THE BOEING COMPANY /1/ CALLED A SPECIAL MEETING OF STOCKHOLDERS TO BE HELD CONCURRENTLY WITH THE ANNUAL MEETING. RECORD DATE FOR DETERMINATION OF STOCKHOLDERS ENTITLED TO VOTE IS MARCH 10. AT SUCH MEETING, STOCKHOLDERS WILL CONSIDER AND VOTE UPON /A/ A PROPOSAL TO ADOPT AN EMPLOYEE FINANCIAL SECURITY PLAN AND /B/ AN AMENDMENT TO THE CERTIFICATE OF INCORPORATION WHICH WOULD INCREASE THE NUMBER OF AUTHORIZED SHARES FROM 10,000,000 TO 30,000,000, CHANGE NUMBER OF SHARES THE COMPANY MAY ISSUE TO OFFICERS AND EMPLOYEES FREE FROM PREEMPTIVE RIGHT, AND PROVIDE FOR ELIMINATION OF FRACTIONAL SHARES.

/2/ DECLARED AN INTENTION, IF STOCKHOLDERS APPROVE THE AMENDMENT, TO SPLIT THE OUTSTANDING STOCK AT A LATER DATE BY ISSUING ONE ADDITIONAL SHARE FOR EACH SHARE HELD. NO RECORD DATE FOR SUCH SPLIT WAS ESTABLISHED. /3/ DECLARED AN INTENTION /A/ TO PAY SECOND QUARTER CASH DIVIDEND OF FIFTY CENTS PER SHARE ON PRESENTLY OUTSTANDING SHARES AS OF A RECORD DATE TO BE ESTABLISHED AT A LATER MEETING, AND /B/ IF STOCKHOLDERS APPROVE PROPOSED AMENDMENT, ESTABLISH, SUBJECT TO AVAILABILITY OF EARNINGS AND REQUIREMENTS OF COMPANY FOR FUNDS, A QUARTERLY DIVIDEND RATE OF THIRTY CENTS PER SHARE ON SHARES OUTSTANDING AFTER THE STOCK SPLIT. /4/ AUTHORIZED OFFICERS TO CALL FOR REDEMPTION OF THE COMPANYS 4 1/2 PERCENT CONVERTIBLE SUBORDINATED DEBENTURES. THE REDEMPTION DATE HAS NOT EN ESTABLISHED. CONFIRMING LETTER FOLLOWS.

THE BOEING CO H. V. KOHR, ASSISTANT SECRETARY MAIL STOP 10-34 1-1101

END PLS ACK FOR 1 AND TU

-\\\92\3$&3$ ACJSBI

ACJNOWK

ACKNOWKEDGED THANK YOU

TELEGRAM

March 2, 1966

1-11018-115

New York Stock Exchange
Department of Stock List
Eleven Wall Street
New York, N. Y. 10005

Gentlemen:

Confirming our teletype of March 1, 1966, at a meeting on February 28, 1966, Directors of The Boeing Company

(1) Called a special meeting of stockholders to be held concurrently with the Annual Meeting. Record date for determination of stockholders entitled to vote is March 10. At such meeting, stockholders will consider and vote upon (a) a proposal to adopt an Employee Financial Security Plan and (b) an amendment to the Certificate of Incorporation which would increase the number of authorized shares from 10,000,000 to 30,000,000, change number of shares the Company may issue to officers and employees free from preemptive right, and provide for elimination of fractional shares.

(2) Declared an intention, if stockholders approve the amendment, to split the outstanding stock at a later date by issuing one additional share for each share held. No record date for such split was established.

(3) Declared an intention (a) to pay second quarter cash dividend of 50¢ per share on presently outstanding shares as of a record date to be established at a later meeting, and (b) if stockholders approve proposed amendment, establish, subject to availability of earnings and requirements of Company for funds, a quarterly dividend rate of 30¢ per share on shares outstanding after the stock split.

(4) Authorized officers to call for redemption of the Company's 4½% convertible subordinated debentures. The redemption date has not been established.

Very truly yours,

THE BOEING COMPANY

H. V. Kohr
Assistant Secretary

HVK:kr

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MAR 3 4 28 PM '66

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BOEINGREN RNTH

CHAMANBANK NYK

THIS IS CHASE MAANHATTAN BANK NY CALLING 3/3/66

THE BOEING CO
SEATTLE 24 WASH

ATTN MR DEAN D THORNTON ASSISTANT TREASURER

THE FOLLOWING IS TEXT OF REDEMPTION NOTICE

NOTICE IS HEREBY GIVEN THAT\ PURSUANT TO THE PROVISIONS OF THE INDENTURE DATED JULY 1\ 1958\ BETWEEN BOEING AIRPLAANCE COMPANY \NOW THE BOEING COMPANY\\HEREINAFTER CALLED THE COMPANY\ AND THE CHASE MANHATTAN BANK \NOW THE CHASE MANHATTAN BANK \NATIONAL ASSOCIATION\\\ TRUSTEE\ THE COMPANY HAS EXERCISED ITS OPTION TOO ANND WIILL REDEEM\ ON APRIL 8\ 1966\ ALL OF ITS OUTSTANDING 4-1/2 PERCENT CONVERTIBLE SUBORDINATED DEBENTURES\ DUE JULY 1\ 1980 \HEREINAFTER CALLED THE DEBENTURES\\ AT THE REDEMPTION PRICE OF 103.25 PEERCENT OF THE PRINCIPAL AMOUNT THEREOF\ TOGETHHER WITH ACCRUED INNTEREST TO SAID REDEMPTION DATE.

ON AND AFTER APRIL 8\ 1966\ INTEREST ON THE DEBENTURES SAHLL CEEASE TO ACCRUE AND THE COUPONS FOR INTEREST MATURING AFTER SAID DATE SHALL BE VOID.

TELEGRAM

AFTER SAID DATE SHALL BE VOID.

PAYMENT OF THE REDEMPTION PRICE\ VITH ACCRUED INTEREST TO THE DATE FIXED FOOR REDEMPTION\ VILL BE MADE AT TTHE PRINCIPAL OFFICE OF THE TRUSTEE UPON PRESENTATION AND SURRENDER FOR REDEMPTIOON\ ON OR AFTER APRIL 8\ GOYYN OF THE ODEBENTURES VITH ALL COUPONS APPERTAINING THERETO\ IF ANY\ MATURING AFTER THE DATE FIXED FOR REDEMPTION. COUPONS MATURING PRIOR TO THE REDEMPTION DATE SHOULD BE DETACHED AND SURRENDERED FOR PAYMENT IN THE USUAL MANNER. THE DEBENTURES SHOULLD BE PRESENTED AT THE CHASE MANHATTAN BANK\ N.A. \CORPORATE AGENCY DDEPARTMENT\\ 80 PINE STREET\ NEVYORK\ NEVYORK 10015.

SUBJECT TO THE PROVISIONS OF THE INDENTURE\ THE HOLDER OF A DEBENTURE IS ENTITLED AT HIS OPTION TO CONVERT SUCH DEBENTURE\ OR ANY PORTION THEREOF WHICH IS DOLLARS 100 PRINCIPAL AMOUNT OR A MULTIPLE THEREOF\ INTO SHARES OF CAPITAL STOCK OF THE COMPANY. THIS RIGHT OF CONVERSION VILL TERMINAATE AT THE CLOSE OF BUSINESS ON MARCH 29\ 1966. THE CONVERSIION RATE NOV IN EFFECT IS 2 SHARES OF CAPITAL STOCK FOR EACH DOLLARS 100 PRINCIPAL AMOUNT OF DEBENTURES. AS PROVIDED IN THE INDENTURE\ NO ADJUSTMENT SHALL BE MADE FOR INTEREST ACCRUED ON ANY DEBENTURE SURRENDERRED FOR CONVERSION OR FOR DIVIDENDS ON SHARES OF CAPITAL STOCK ISSUABLE UPON CONVERSION OF ANY DEBENTURE.

THE BOEING COMPANY

DATED MARCH 8 GOYY

JOHN L HOWARD  
CORPORATE TURST OFFICER  
CHASE MANHATTAN BANK

## SECTION A 10

# REDEMPTION--TENDER OFFERS

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## SECTION A 10

## REDEMPTION

### Publicity, and Notice to Exchange, Required as to Redemption Action

The company's listing agreement with the Exchange requires immediate publicity and immediate notice to the Exchange in respect of any corporate action (or of any other action of which the company has knowledge) which will result in, or which looks toward, the redemption of a listed security either as a whole, or in part.

Publicity: The term "publicity," as used in the foregoing paragraph and below, and as used in the listing agreement in respect of redemption action, refers to a general news release, and not to the formal notice or advertisement of redemption sometimes required by provisions of an indenture or charter.

Such news release shall be made as soon as possible after corporate action which will lead to, or which looks toward, redemption is taken, or as soon as possible after the company acquires knowledge of any such action taken by others, and shall be made by the fastest available means, i.e., telephone, telegraph or hand-delivery.

To insure coverage which will adequately inform the public, the news should be released to at least one or more newspapers of general circulation in New York City which regularly publish financial news, or to one or more of the national news-wire services (Associated Press, United Press International), in addition to such other release as the company may elect to make. Release should also be made simultaneously to the news-ticker service operated by Dow Jones & Company, Inc., which has agencies in various cities, and whose New York City address is 44 Broad Street.

There shall be no restriction as to the day or hour of publication by any of the agencies to which the news is released.

Emphasis is placed upon the necessity of promptness in releasing news regarding redemption because of its possible effect upon the market price of the security, and because of its general significance to holders of the security.

Notice to Exchange: In addition to immediate release of news regarding redemption to the public press, the company is required to give the Exchange notice in respect of such redemption as soon as possible after corporate action is taken, or as soon as possible after the company acquires knowledge of such action. Such notice shall be received by the Exchange at least fifteen days in advance of the redemption date.

If the entire outstanding amount of the class, issue, or series is being redeemed, such notice shall be given immediately, by hand-delivery if feasible, or if that is not feasible, it shall be given by telephone or telegraph and confirmed promptly in writing. Notice by the fastest available means is essential as, in the case of a total redemption, the Exchange must give the promptest possible notice of the redemption over its ticker system as a precaution against people dealing in the security without knowledge of the impending redemption. It is also necessary to issue a ruling as to the basis of further dealings in the security, attach a special designation to its ticker symbol, and take other steps for continuance of an orderly market in the security.

While taking note of news items and advertisements in the public press in respect of redemption actions, the Exchange cannot accept them as sufficiently authoritative for its purposes, and must require that notice of such action be given it by direct communication. Such communication should be addressed to the Department of Stock List of the Exchange.

**Record Date—Closing of Transfer Books—Advance Notice:** The company's agreement with the Exchange also requires that the Exchange receive prompt notice of action taken to fix a record date for holders of a listed stock, or to close the transfer books, for any purpose.

This requirement applies, among other cases, to any record of stockholders, or closing of transfer books for the purpose of drawing certificate numbers to be redeemed, or for any other purpose in connection with a redemption.

Reference is made to the fuller discussion of the requirement for prompt notice in Section A9 of this Manual, entitled *Record Date—Closing of Transfer Books.*

**Place of Redemption:** The company's listing agreement with the Exchange requires the maintenance of an agency in the Borough of Manhattan, City of New York, where securities called for redemption may be presented for payment.

If funds for redemption are deposited in a bank located in a city other than New York and the letter of transmittal provides for the redemption at such bank, arrangements also should be made for the acceptance of called securities and payment of the redemption price at an agency in New York City, which may be the New York correspondent of such bank.

## Redemption of Entire Class, Issue, or Series—Stock or Bonds

In event of an action to redeem, or looking toward redemption of, an entire class, issue, or series of a listed security, the procedure described below shall be followed by the company with respect to Exchange requirements.

1. Give immediate newspaper publicity to the action, indicating in such publicity the redemption date, redemption price, and the dollar amount of dividends or interest to be paid upon redemption. If provision is to be made for payment of redemption funds to holders of the redeemed security prior to the redemption date, state when such funds will be available to holders. If the security to be redeemed is convertible, indicate the rate of conversion and the date and time when the conversion privilege will finally expire. If, prior to the date when the conversion period will finally expire, there will be a period during which conversions cannot be effected, indicate the dates beginning and ending that period. If any dividend declared (or accrued) on or before the date of the redemption action, on the class of security issuable upon conversion of the securities to be redeemed remains unpaid, indicate whether or not shares issued upon conversion of the securities to be redeemed will be entitled to receive such dividend.

   As to any of such data not known or determined at the time publicity is given initially, similar publicity shall be given immediately it becomes known or determined.

2. Give immediate notice of the redemption action to the Exchange, including all details specified in paragraph 1 above, and, in addition, the name and address of the redemption or paying agent. This notice shall be in writing and delivered by hand to the Department of Stock List of the Exchange, if feasible. If immediate hand-delivery of written notice is not feasible, notice of the redemption action shall be given that Department immediately by telephone or telegraph and confirmed promptly, in writing. As previously stated, notice of the redemption action shall be received by the Exchange at least fifteen days in advance of the redemption date.

   As to any such data not known or determined at the time notice is given the Exchange initially, similar notice shall be given immediately it becomes known or determined.

3. As soon as available, file with the Exchange certified copies of any resolutions of the Board of Directors of the company in respect of the redemption.

4. Instruct the redemption or paying agent to notify the Exchange promptly of the deposit of funds for payment of the redeemed securities.

5. File with the Exchange two copies of any notice or other material sent to security holders, with regard to the redemption.

### Partial Redemption—Stock

If the action will result in, or looks toward, the redemption of only part of a listed class or series of stock, the procedure described below shall be followed by the company.

1. Give immediate newspaper publicity to the action, indicating the number (or maximum number) of shares to be redeemed, the redemption date, the redemption price, and the dollar amount of any dividend to be paid on the redeemed shares upon redemption. If provision is to be made for payment of the redemption funds to holders of the redeemed shares prior to the redemption date, indicate when such funds will be available to holders. If the shares to be redeemed are convertible, indicate the conversion rate and the date and time when the conversion privilege will finally expire. If, prior to the date on which the conversion privilege will finally expire, there will be a period during which conversions cannot be effected, indicate the dates beginning and ending that period. If any dividend declared (or accrued) on or before the date of the redemption action on the class of security issuable upon conversion of the securities to be redeemed remains unpaid, indicate whether or not the shares issued upon conversion of the securities to be redeemed will be entitled to receive such dividend. If a record date is to be employed for determination of the shares to be redeemed, or if the transfer books are to be closed for that purpose, state the date of record, or dates of closing and reopening of the books.

   As to any of such data not known or determined at the time such publicity is given initially, similar publicity shall be given immediately it becomes known or determined.

2. Give the Exchange immediate notice of the redemption action, including all details specified in paragraph (1.) above, and, in addition, the name and address of redemption or paying agent. State the method by which the shares to be redeemed will be determined (whether pro rata, by lot, etc.). State also whether the transfer books will be closed permanently with respect to shares to be redeemed and when such closing will take place, or whether stamped certificates will be issued upon transfer of shares to be redeemed.

As to any such data not known or determined at the time notice is given initially, notice shall be given immediately it becomes known or determined.

Notice shall be in writing and delivered by hand to the Department of Stock List of the Exchange, if practicable. As previously stated, notice of the redemption action shall be received by the Exchange at least fifteen days prior to the redemption date. Particular attention is called to the fact that the Exchange must receive at least ten days' advance notice of any date for the taking of a record of stockholders or closing of the transfer books.

3. As soon as available, file certified copies of any resolutions of the Board of Directors of the company, in respect of the redemption, with the Exchange.

4. Instruct the redemption or paying agent to notify the Exchange promptly of the deposit of funds for payment of the redeemed securities.

5. File two copies of any notice or other material sent to stockholders, with regard to the redemption, with the Exchange.

Notice of Redeemed Certificate Numbers: If shares to be redeemed are to be determined by drawing of certificates, the Exchange asks that it be furnished, as promptly as possible after the drawing, with 1000 printed copies of a notice, prepared by the company or its agent, stating all significant facts in respect of the redemption, and listing the numbers of certificates drawn for redemption, and the number of shares to be redeemed in respect of each certificate (if the whole certificate is not being redeemed). Said copies should be delivered to the Exchange by hand, if feasible, to save all time possible.

These copies are for distribution by the Exchange to member firms. This procedure is essential, because certificates drawn for redemption cease to be deliverable, after the record date employed for the drawing, in settlement of contracts made in the regular way on the Exchange. As there is no way of ascertaining which certificates are in that status until such a notice is available, and some certificates drawn for redemption will, in the meanwhile, probably be delivered in settlement of contracts and require adjustment, the utmost speed in the drawing of certificates and distribution of the notice is essential. If a notice including the numbers of drawn certificates is prepared by the company or redemption agent for the purpose of formal advertisement, or distribution to stockholders, 1000 reprints thereof will be acceptable for the Exchange's purpose.

## Partial Redemption—Bonds

If the action will result in the redemption of only a part of a listed issue or series of bonds, the procedure described below shall be followed by the company.

1. Give immediate newspaper publicity to the action, indicating the principal amount of bonds to be redeemed, the redemption date, the redemption price, and the dollar amount of interest which will be paid on the redeemed securities upon redemption. If provision is to be made for payment of the redemption funds to holders of the redeemed securities prior to the date of redemption, indicate when such funds will be made available to holders. If the bonds to be redeemed are convertible, indicate the conversion rate, and the date and time when the conversion privilege will finally expire. If, prior to the date on which the conversion privilege will finally expire, there will be a period during which conversions cannot be effected, indicate the dates beginning and ending that period. If any dividend declared, on or before the date of the redemption action, on the class of security issuable upon conversion of the securities to be redeemed remains unpaid, indicate whether or not shares issued upon conversion of the securities to be redeemed will be entitled to receive such dividend.

   As to any such data not known or determined at the time publicity is given initially, similar publicity shall be given immediately it becomes known or determined.

2. Give the Exchange immediate notice of the redemption action, including all details specified in paragraph (1.) above, and, in addition, the name and address of the redemption or paying agent. As to any such data not known at the time notice is given the Exchange initially, similar notice shall be given immediately it becomes known or determined. As previously stated, notice of the redemption action shall be received by the Exchange at least fifteen days prior to the redemption date.

3. As soon as available, file with the Exchange certified copies of any resolutions of the Board of Directors of the company in respect of the redemption.

4. Instruct the redemption or paying agent to notify the Exchange promptly of the deposit of funds for payment of the redeemed securities.

5. File two copies of any notice or other material sent to bondholders, with regard to the redemption, with the Exchange.

## Dealings on Exchange in Securities Called for Redemption

**Entire Class, Issue or Series Called:** When an entire class, issue or series of a listed security is to be redeemed, dealings in such security on the Exchange are suspended as soon as the redemption funds become available to holders of the security, unless such security is convertible and its market price is at, or close to, the conversion price. In the latter case, suspension of the security from dealings may be deferred until the opening of business on the day on which the right of conversion expires, or until conversion ceases to be active, or until the amount of the security outstanding has been so reduced as to make continued dealings inadvisable in the opinion of the Exchange.

**Part of Class, Issue or Series Called:** When only part of a listed class, issue or series is to be redeemed, the amount thereof authorized to be listed is reduced by the number of shares, or face amount of bonds, to be so redeemed as soon as the redemption funds become available to holders of the redeemed security, unless the class, issue or series is convertible, in which case the reduction in the amount authorized to be listed is deferred until conversions occur, or until expiration of the right of conversion.

However, under the rules of the Exchange, certificates of stock or registered bonds called for redemption are not deliverable, in settlement of contracts, after the record date (or closing of the transfer books) for determination of the certificates or registered bonds to be redeemed, except in respect of transactions in called securities dealt in specifically as such. Coupon bonds are not deliverable in settlement of contracts on and after the date of first publication of notice of the call for redemption (containing the numbers of called bonds) except in respect of transactions in the called bonds dealt in specifically as such.

If the amount called for redemption is substantial, or if such amount represents a substantial proportion of the total outstanding amount of the class, issue or series, and, if the transfer books for the called portion of the security are not to be permanently closed until the date of redemption, the Exchange will admit such called portion to dealings on the Exchange as a separate issue, designated as a called security, if it considers such action to be in the public interest. Where this is done, such dealings continue until the date of redemption or, in the case of a convertible security, until the expiration of the right of conversion if that be earlier than the date of redemption.

No application, or other action by the company, is required in connection with such admission of the called portion of the security to dealings, in respect of either the Exchange, or the Securities Exchange Act of 1934.

## Paragraphs of Listing Agreement Relative to Redemption

The paragraphs of the listing agreement relative to redemption are Paragraphs 9, 10 and 11 of Section I and Paragraphs 1(a), 1(b) and 4 of Section III of the current form of listing agreement, and read as follows:

### I

9. The Corporation will not select any of its securities listed on the Exchange for redemption otherwise than by lot or pro rata, and will not set a redemption date earlier than fifteen days after the date corporate action is taken to authorize the redemption.

10. The Corporation will promptly notify the Exchange of any corporate action which will result in the redemption, cancellation or retirement, in whole or in part, of any of its securities listed on the Exchange, and will notify the Exchange as soon as the Corporation has notice of any other action which will result in any such redemption, cancellation or retirement.

11. The Corporation will promptly notify the Exchange of action taken to fix a stockholders' record date, or to close the transfer books, for any purpose, and will take such action at such time as will permit giving the Exchange at least ten days' notice in advance of such record date or closing of the books.

### III

1. The Corporation will maintain in the Borough of Manhattan, City of New York, in accordance with the requirements of the Exchange:

   a. An office or agency where the principal of and interest on all bonds of the Corporation listed on the Exchange shall be payable and where any such bonds which are registerable as to principal or interest may be registered; and

   b. An office or agency where

      (1) All stock of the Corporation listed on the Exchange shall be transferable.

      (2) Checks for dividends and other payments with respect to stock listed on the Exchange may be presented for immediate payment.

      (3) Scrip issued to holders of a security listed on the Exchange and representing a fractional interest in a security listed on the Exchange will, during the period provided for consolidation thereof, be accepted for such purpose.

(4) A security listed on the Exchange which is convertible will be accepted for conversion.

If at any time the transfer office or agency for a security listed on the Exchange shall be located north of Chambers Street, the Corporation will arrange, at its own cost and expense, that its registrar's office, or some other suitable office satisfactory to the Exchange and south of Chambers Street, will receive and redeliver all securities there tendered for the purpose of transfer.

If the transfer books for a security of the Corporation listed on the Exchange should be closed permanently, the Corporation will continue to split up certificates for such security into certificates of smaller denominations in the same name so long as such security continues to be dealt in on the Exchange.

If checks for dividends or other payments with respect to stock listed on the Exchange are drawn on a bank located outside the City of New York, the Corporation will also make arrangements for payment of such checks at a bank, trust company or other agency located in the Borough of Manhattan, City of New York.

4. The Corporation will publish immediately to the holders of any of its securities listed on the Exchange any action taken by the Corporation with respect to dividends or to the allotment of rights to subscribe or to any rights or benefits pertaining to the ownership of its securities listed on the Exchange; and will give prompt notice to the Exchange of any such action; and will afford the holders of its securities listed on the Exchange a proper period within which to record their interests and to exercise their rights; and will issue all such rights or benefits in form approved by the Exchange and will make the same transferable, exercisable, payable and deliverable in the Borough of Manhattan in the City of New York.

## Applicable Rule of the Securities and Exchange Commission

### Rule 12d2-2. Removal From Listing and Registration of Matured, Redeemed, or Retired Securities.

(a) Within a reasonable time after a national securities exchange knows or is reliably informed that any of the following conditions exist with respect to a security listed and registered thereon, the exchange shall file with the Commission a notification on Form 25 of its intention to remove such security from listing and registration:

(1) The entire class of the security has been called for redemption, maturity or retirement; appropriate notice thereof has been given; funds sufficient for the payment of all such securities have been

deposited with an agency authorized to make such payments; and such funds have been made available to security holders.

(2) The entire class of the security has been redeemed or paid at maturity or retirement.

(3) The instruments representing the securities comprising the entire class have come to evidence, by operation of law or otherwise, other securities in substitution therefor and represent no other right, except, if such be the fact, the right to receive an immediate cash payment (the right of dissenters to receive the appraised or fair value of their holdings shall not prevent the application of this provision).

(4) All rights pertaining to the entire class of the security have been extinguished: *Provided,* That where such an event occurs as the result of an order of a court or other governmental authority, the order shall be final, all applicable appeal periods shall have expired, and no appeals shall be pending.

Effective Date of Removal: If the conditions of this rule are complied with, emoval of a security from listing and registration pursuant to a notification on orm 25 shall become effective at the opening of business on such date as the xchange shall specify in said Form: *Provided, however,* That such date shall e not less than seven days following the date on which said Form is mailed to e Commission for filing: *And provided further,* That in the event removal is eing effected under paragraph (a) (3) of this rule and the exchange has ad-itted or intends to admit a successor security to trading under the temporary emption provided for by Rule 12a-5, such date shall not be earlier than the te on which the successor security is removed from its exempt status.

## TENDER OFFERS

The Exchange believes it is important that all stockholders of a company be ven an opportunity to participate on equal terms in any offer made which may fect the rights or benefits of such stockholders.

This objective has been implemented by the company's listing agreement th the Exchange. As an example, a company agrees that it will not select y of its securities listed on the Exchange for redemption otherwise than pro ta or by lot.

The same considerations apply when a company invites its stockholders or ockholders of another company to tender their share for purchase, even though ch tender offers are not covered by a listing agreement. It is important, erefore, that all stockholders be given an equal opportunity to participate in ch offers.

While it is desirable that a period of about 30 days be used, a tender offer should remain open for a minimum of 10 days, so that all stockholders, even though they may live at a distance, will have ample opportunity to learn of the tender offer and to tender their shares. Where the minimum period is used, notices should be sent by air mail to distant stockholders and provision made for telegraphic acceptance through a member firm or bank, similar to a rights offering.

If only a specified number of shares are to be purchased, the offer should provide that tenders will be accepted on a pro rata basis if more shares are tendered that are to be purchased. An offer on any basis such as a "first-come first-served" basis is normally objectionable, as stockholders resident near the place of tender may immediately supply all the stock that is to be purchased, with the result that stockholders living at a distance would have no opportunity to take advantage of the tender offer. After a minimum period of 10 days for the acceptance of shares on a pro rata basis, there is no objection to receiving shares thereafter on a "first-come first-served" basis.

Normally a tender offer is not limited to stockholders of record on any given date. The reason for this is that some holders may not be holders of record on a given date, either because of the use of their stock for lending purposes or due to the fact that stock had not been transferred to their names. Under such circumstances, stockholders who wish to accept an offer would be deprived of their right to do so. However, if a record date is essential to a company's program, it should not be earlier than 10 days after announcement of the tender offer, in order to give all stockholders an opportunity to transfer and thereby to protect their interests.

Where it is thought unusual and exceptional circumstances may be present in a particular case, they should be discussed with the Exchange before an offer is made with terms at variance with the principles of this statement.

[The next page is A—183]

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March 5, 1966

Securities and Exchange Commission
425 Second Street N. W.
Washington 25, D. C.

202-962-4235

Attention: Mr. Mark Norton
Branch Chief
Division of Corporation Finance

Subject: The Boeing Company Proxy Material

Gentlemen:

The Board of Directors of The Boeing Company, at their meeting on February 28, 1966, passed resolutions proposing to amend Article FOURTH of the Company's Certificate of Incorporation in several respects. These amendments are to be submitted to the stockholders at the special meeting to be held in conjunction with the Annual Meeting on April 25, 1966. Accordingly we have prepared and enclosed three preliminary copies of a revised form (Rev. 3-4-66) of the Proxy, Notice of Annual and Special Meetings, and Proxy Statement, relating to the annual and special meetings of the stockholders to be held on April 25, 1966. One of the enclosed copies is marked in red to indicate all changes made to the preliminary form dated 2-21-66 filed with the Commission on February 23, 1966.

The principal changes are as follows:

(1) The Proxy, the Notice and the Proxy Statement at pages 6 and 23 through 29 describe the proposed amendment to Article FOURTH of the Certificate of Incorporation to increase the authorized stock and to change the number of

shares which may be issued to officers and employees of the Company without regard to preemptive rights of stockholders. The Board has stated its intention, if the stockholders adopt such amendment, to split-up the outstanding stock by issuing and distributing to each stockholder (as of a record date to be subsequently established) one additional share for each share then held.

(2) The Proxy, the Notice, and the Proxy Statement at pages 6, 30 and 31 describe the proposed amendment to Article FOURTH of the Certificate of Incorporation to eliminate fractional shares.

(3) Instead of amending the By-Laws from thirteen Directors to twelve, the Board at their meeting on February 28, 1956, nominated Mr. T. A. Wilson to replace Mr. Egtvedt, who has requested that his name not be placed in nomination again this year. This action has necessitated changes to the Proxy Statement at pages 7 and 9.

(4) After further consultations with officers of Boeing and First National City Bank, the section of the Proxy Statement entitled "Transactions with Officers, Directors and Their Associates" which described a transaction with First National City Bank has been deleted. The purchase of the participation was actually incidental to a financing made by the Company and a group of banks, of which First National City Bank was one, to one of the Company's airline customers made in the ordinary course of business. This financing was essentially the same as a number of other similar transactions where Boeing and various banks have participated in financing the customer.

(5) The only other changes are on pages 8, 9, 19, 23 and 32 which appear to be self explanatory.

We are presently considering the addition of an informal Letter to Stockholders to be signed by Mr. Allen, the President of the Company, which would be printed on the first page ahead of the Notice and Proxy Statement. If the decision is made to add such a letter, we expect that preliminary copies will be forwarded to you on March 7th.

It is still planned that the Proxy, Notice and Proxy Statement will be released to stockholders on or about March 24, 1966. Because time is now short, we would greatly appreciate receiving your approval of or comments on the enclosed preliminary material by Wednesday, March 9, 1966.

If you have any questions, please feel free to contact the undersigned by collect wire or telephone.

Very truly yours,

HOLMAN, MARION, PERKINS,
COIE & STONE

By
J. Shan Mullin

JSM:es
Enclosures

Certified Mail
Return Receipt Requested

bcc: William M. Allen
J. E. Prince
Lowell P. Mickelwait
H. W. Haynes

✓

March 5, 1966

New York Stock Exchange
Eleven Wall Street
New York, New York 10005

Attention: Department of Stock List

Subject: Proxy Material for Annual and Special Meetings of The Boeing Company, April 25, 1966

Gentlemen:

We have enclosed for your review two preliminary copies of the Proxy, Notice of Annual and Special Meetings, and Proxy Statement for The Boeing Company's annual and special meetings of stockholders to be held April 25, 1966.

We would particularly appreciate your opinion as to whether, under the Proxy Rules of the Exchange, member firms may vote on the proposal to adopt the Employee Financial Security Plan described in the Proxy Statement without instruction from the beneficial owners.

With respect to the two proposals to amend the Certificate of Incorporation described in the Proxy Statement, we assume that it would be your opinion that, under the Proxy Rules of the Exchange, member firms may not vote except pursuant to instructions from beneficial owners.

It is planned that the Proxy, Notice and Proxy Statement will be released to stockholders on or about March 24, 1966.

New York Stock Exchange
March 5, 1966
Page 2

If you have any questions, please feel free to contact the undersigned by collect wire or telephone. Because time is now short, we would greatly appreciate receiving your opinions and comments by Wednesday, March 9, 1966, if possible.

Thank you for your assistance.

Very truly yours,

HOLMAN, MARION, PERKINS,
COIE & STONE

By
J. Shan Mullin

JSM:es
Enclosures

Certified Mail
Return Receipt Requested

bcc: William M. Allen
J. E. Prince
Lowell P. Mickelwait
H. W. Haynes

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8

March 8, 1966

Securities and Exchange Commission
425 Second Street N. W.
Washington, D. C. 20549

Attention: Mr. Mark Borton
Branch Chief
Division of Corporation Finance

Subject: The Boeing Company Proxy Material

Gentlemen:

In our letter to you dated March 5, 1966, with which we enclosed three preliminary copies of a revised form (Rev. 3-4-66) of Proxy, Notice and Proxy Statement for the meetings of stockholders of The Boeing Company to be held April 25, 1966, we indicated that consideration was being given to the addition of an informal Letter to Stockholders to be signed by Mr. Allen, the President of the Company, which would be printed on the first page ahead of the Notice and Proxy Statement.

The decision has been made to add such a letter and accordingly three preliminary copies are enclosed for filing pursuant to paragraph (a) of Rule 14a-6 of Regulation 14A under the Securities Exchange Act of 1934.

We also wish to call your attention to a typographical error on page 27 of the preliminary form of Proxy Statement where the word "not" should be inserted as the third word in the second line after the words "which are".

X

Securities and Exchange Commission
March 3, 1966
Page 2

If you have any questions, please feel free to contact the undersigned by collect wire or telephone.

Very truly yours,

HOLMAN, MARION, PERKINS,
COIE & STONE

By
J. Shan Mullin

JSM:es
Enclosures

Certified Mail
Return Receipt Requested

bcc: William M. Allen
J. E. Prince
Lowell P. Mickelwait
H. W. Haynes

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver ONLY to addressee

☐ Show address where delivered

*(Additional charges required for these services)*

RECEIPT

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

SHOW WHERE DELIVERED (only if requested)

STMARK
R DATE

ther side)

March 8, 1966

New York Stock Exchange
Eleven Wall Street
New York, New York 10005

Attention: Department of Stock List

Subject: The Boeing Company Proxy Material

Gentlemen:

On March 5, 1966 we forwarded for your review two preliminary copies of the Proxy, Notice, and Proxy Statement for The Boeing Company's annual and special meetings of stockholders to be held April 25, 1966. Subsequently the decision was made to add an informal Letter to Stockholders to be signed by Mr. Allen, the President of the Company, which would be printed on the first page of the Notice and Proxy Statement. Two copies of the letter are enclosed.

We also wish to call your attention to a typographical error on page 27 of the preliminary form of Proxy Statement where the word "not" should be inserted as the third word in the second line after the words "which are".

Very truly yours,

HOLMAN, MARION, PERKINS,
COIE & STONE

By
J. Shan Mullin

JSM:es
Enclosures
Certified Mail
Return Receipt Requested

bcc: J. E. Prince

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.

being duly sworn, states that he is Advertising Clerk of the Publisher of THE WALL STREET JOURNAL, a daily newspaper published and of general circulation in the City and County of New York, in the City of Chicago, Cook County, Illinois, in the City and County of San Francisco, California, and in the City and County of Dallas, Texas and that the Notice of which the annexed is a copy has been regularly published in the said THE WALL STREET JOURNAL in each of the above cities for

2 insertion

3/7 + 3/8

in the year of our Lord Nineteen Hundred and 66

Sworn to before me this

[illegible] day of
March 19 66

[illegible] expires March [illegible]

---

# The Boeing Company

(formerly Boeing Airplane Company)

## Notice of Redemption of

## 4½% Convertible Subordinated Debentures, due July 1, 1980

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated July 1, 1958, between Boeing Airplane Company (now The Boeing Company) (hereinafter called the Company) and The Chase Manhattan Bank (now The Chase Manhattan Bank [National Association]), Trustee, the Company has exercised its option to and will redeem on April 8, 1966, all of its outstanding 4½% Convertible Subordinated Debentures, due July 1, 1980 (hereinafter called the Debentures), at the redemption price of 103.25% of the principal amount thereof, together with accrued interest to said redemption date.

On and after April 8, 1966, interest on the Debentures shall cease to accrue and the coupons for interest maturing after said date shall be void.

Payment of the redemption price, with accrued interest to the date fixed for redemption, will be made at the principal office of the Trustee upon presentation and surrender for redemption, on or after April 8, 1966, of the Debentures with all coupons appertaining thereto, if any, maturing after the date fixed for redemption. Coupons maturing prior to the redemption date should be detached and surrendered for payment in the usual manner. The Debentures should be presented at The Chase Manhattan Bank N.A. (Corporate Agency Department), 80 Pine Street, New York, New York 10015.

### CONVERSION RIGHT

Subject to the provisions of the Indenture, the holder of a Debenture is entitled at his option to convert such Debenture, or any portion thereof which is $100 principal amount or a multiple thereof, into shares of Capital Stock of the Company. This right of conversion will terminate at the close of business on March 29, 1966. The conversion rate now in effect is 2 shares of Capital Stock for each $100 principal amount of Debentures. As provided in the Indenture, no adjustment shall be made for interest accrued on any Debenture surrendered for conversion or for dividends on shares of Capital Stock issuable upon conversion of any Debenture.

From January 1, 1965 through March 3, 1966, the sales price for the Common Stock of the Company on the New York Stock Exchange ranged from a high of $175.25 to a low of $60.375 per share. On March 3, 1966, the last sale of such Common Stock on such Stock Exchange was at $158.25 per share. So long as the market price of Common Stock is $52.24 or more per share, a Debentureholder would receive, upon conversion of Debentures, Common Stock having a greater market value than the cash which such holder would receive if he surrendered Debentures for redemption.

**The Boeing Company**
*By* DEAN D. THORNTON, Treasurer

Dated: March 8, 1966

2 copies

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**NEW YORK STOCK EXCHANGE**

ELEVEN WALL STREET

NEW YORK, N.Y. 10005

DEPARTMENT OF STOCK LIST
PHILLIP L. WEST
DIRECTOR
MERLE S. WICK
ASSOCIATE DIRECTOR
ARTHUR L. RAUCH
WILLIAM R. SATTERFIELD
EDWARD J. ZUHR
ASSISTANT DIRECTORS

File - 4½% Debs

March 9, 1966

Mr. H. V. Kohr, Assistant Secretary
The Boeing Company
P. O. Box 3707
Seattle 24, Washington

Dear Mr. Kohr:

We have noted the recent advertisement advising of the call for redemption on April 8, 1966, of all outstanding 4 1/2% Convertible Subordinated Debentures due July 1, 1980, of The Boeing Company.

We should appreciate it if you would furnish us with a copy of the resolutions adopted by the Board of Directors enabling this call for redemption.

We should also appreciate it if you would make arrangements to have The Chase Manhattan Bank advise us immediately upon the deposit of funds to effect payment at the redemption price, together with accrued interest.

Very truly yours,

Arthur L. Rauch

Arthur L. Rauch
Assistant Director

EI:mm

DT
File - 4½'s

March 16, 1966

1-11018-134

New York Stock Exchange
Department of Stock List
Eleven Wall Street
New York, N. Y. 10005

Attn: Mr. Arthur L. Rauch
Assistant Director

Dear Mr. Rauch:

In accordance with the request in your letter of March 9, 1966, we are transmitting herewith two certified copies of the resolution adopted by the Board of Directors of this Company authorizing certain officers to call for redemption the 4-1/2% convertible subordinated debentures of the Company which were due July 1, 1980.

I am asking Mr. D. D. Thornton, Company Treasurer, to have Chase Manhattan Bank advise you upon the deposit of funds to effect payment at the redemption price together with accrued interest.

Very truly yours,

THE BOEING COMPANY

H. V. Kohr
Assistant Secretary

HVK:kr
Enclosures

bcc: D. D. Thornton

# CERTIFICATE

I, H. V. Kohr, hereby certify that I am an Assistant Secretary of The Boeing Company, a corporation, and that the following is a true copy of a resolution adopted by the Board of Directors of said corporation at a meeting duly held on February 28, 1966, at which a quorum was present and acting throughout:

> RESOLVED, that the President, Vice President-Finance, or Treasurer of the Company, or any one of such officers, is hereby authorized to take all such action as they or any one of them deems appropriate or necessary to call for redemption on a date to be selected by them or any one of them, all of the 4-1/2% convertible subordinated debentures of the Company then outstanding under the Indenture dated July 1, 1958 between Boeing Airplane Company (name changed to The Boeing Company) and The Chase Manhattan Bank, Trustee.

In witness whereof, I have hereunto subscribed my name and affixed the seal of said corporation this 15th day of March, 1966.

H. V. Kohr
Assistant Secretary

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THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION)
Copy

April 5, 1966

4-682-JJD
27 - 4 1/2 %

New York Stock Exchange
Department of Stock List
Eleven Wall Street
New York 5, New York

Attention: Mr. Arthur L. Rauch,
Assistant Director

Gentlemen:

The Boeing Company
(formerly Boeing Airplane Company)
Indenture dated July 1, 1958

This is to advise that funds have been deposited with us to effect payment of the Company's 4 1/2% Convertible Subordinated Debentures due July 1, 1980 at the redemption price of 103.25% together with accrued interest to April 8, 1966.

Yours very truly,

Howard
John L. Howard
Corporate Trust Officer

rm

cc: Mr. Dean D. Thornton, Treasurer
The Boeing Company
P. O. Box 3707
Seattle, Washington 98124

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TITLE THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

REMARKS No. 1

C.M.B. AS

30 ACCOUNT APRIL 8 1966 REDEMPTION ACCOUNT

INDENTURE DATED

| DESCRIPTION | | DEBIT | CREDIT | DATE | BALANCE |
|---|---|---|---|---|---|
| FDS NECESSARY FOR PAYT OF 1.547.000 P.A. OF ABOVE DEB PLUS ACC INT OF 18.762.50 & PREM OF 50.277.50 IN CONN WITH THE CALL FOR RED ON 4/8/66 OF ALL O/S DEB | | | | | |
| RED OF 41.300 P.A. AT 103.25 & INT OF 12.125 PER 100 | | | 1,616,040.00 | APR 5 66 | 1,616,040.00* |
| | 0 | 43,143.06 | | APR 8 66 | 1,572,896.94* |
| DO 6100 | | 6,372.21 | | APR 11 66 | 1,566,524.73* |
| DO 2600 | | 2,716.01 | | APR 12 66 | 1,563,808.72* |
| DO | | 4,805.29 | | APR 12 66 | 1,559,003.43* |
| DO 25300 | | 26,429.01 | | APR 14 66 | 1,532,574.42* |
| DO 16700 | | 17,445.26 | | APR 15 66 | 1,515,129.16* |
| DO 6300 | | 6,581.16 | | APR 18 66 | 1,508,548.00* |
| DO 9400 | | 9,819.44 | | APR 19 66 | 1,498,728.56* |
| DO 4400 | | 4,596.36 | | APR 20 66 | 1,494,132.20* |
| DO 800 | | 835.70 | | APR 21 66 | 1,493,296.50* |
| DO 2600 | | 2,716.02 | | APR 22 66 | 1,490,580.48* |
| ADD FDS NECESSARY FOR PAYT OF 4.800 P.A. OF DEBS PLUS ACC INT OF 58.20 & PREM OF 156. IN CONN WITH THE CALL FOR RED ON 4/8/66 OF ALL O/S DEBS | | | 5,014.20 | | |
| DO 700 | | 731.25 | | | |
| DO 26900 | | 28,100.43 | | APR 25 66 | 1,494,863.43* |
| DO 3200 | | 3,342.79 | | APR 26 66 | 1,466,763.00* |
| DO 4500 | | 4,700.00 | | APR 27 66 | 1,463,420.21* |
| | | .82 | | APR 28 66 | 1,458,720.21* |
| DO 3400 | | 3,551.72 | | APR 28 66 | 1,458,719.39* |
| DO 1600 | | 1,671.39 | | APR 29 66 | 1,455,167.67* |
| DO 6600 | | 6,894.54 | | MAY 2 66 | 1,453,496.28* |
| DO 9000 | | 9,401.64 | | MAY 3 66 | 1,446,601.74* |
| DO 2000 | | 2,089.25 | | MAY 4 66 | 1,437,200.10* |
| DO 1000 | | 1,044.63 | | MAY 5 66 | 1,435,110.85* |
| DO 12600 | | 13,162.29 | | MAY 6 66 | 1,434,066.22* |
| DO 6300 | | 6,581.16 | | MAY 9 66 | 1,420,903.93* |
| DO 46500 | | 48,679.55 | | MAY 10 66 | 1,414,322.77* |
| DO 19500 | | 20,370.23 | | MAY 11 66 | 1,365,643.22* |
| REPRES ADJUST OF FDS HELD FOR 4/8/66 RED OF ABOVE DEB DUE TO ADD CONV OF DEB IN THE P.A. OF 7400 | | 7,730.23 | | | |
| DO 8100 | | 8,461.48 | | MAY 12 66 | 1,337,542.76* |
| DO 4000 | | 4,178.51 | | MAY 16 66 | 1,329,081.28* |
| | | | | MAY 17 66 | 1,324,902.77* |

C.TR.49 3-56

CORPORATE TRUST FUNDS

TITLE THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

REMARKS No. 2.

C.M.E. AB

APRIL 8 1966 REDEMPTION ACCOUNT

ACCOUNT

INDENTURE DATED

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE |
|---|---|---|---|---|
| BROUGHT FOWARED | | | MAY 17 66 | 1,324,902.77. |
| RED OF 18.200 P.A. AT 103.25 & INT OF 12.125 PER 1.000 | 19,012.17 | | MAY 18 66 | 1,305,890.60. |
| FDS RETND TO A/C AS BRUNS NORDEMAN REQ THESE 500 BDS NO. D1840 RETND TO THEM | | 522.31 | | |
| DO 2400 | 2,507.10 | | MAY 19 66 | 1,303,905.81. |
| DO 1000 | 1,044.62 | | MAY 20 66 | 1,302,861.19. |
| DO 11700 | 12,222.13 | | MAY 23 66 | 1,290,639.06. |
| DO 100 | 104.46 | | | |
| DO 7200 | 7,521.30 | | MAY 24 66 | 1,283,013.30. |
| DO 2500 | 2,611.57 | | MAY 25 66 | 1,280,401.73. |
| DO 2300 | 2,402.64 | | MAY 26 66 | 1,277,999.09. |
| DO 12300 | 12,848.91 | | MAY 27 66 | 1,265,150.18. |
| DO 400 | 417.85 | | MAY 31 66 | 1,264,732.33. |
| DO 1300 | 1,358.01 | | JUN 1 66 | 1,263,374.32. |
| DO 600 | 626.77 | | JUN 2 66 | 1,262,747.55. |
| DO 3600 | 3,760.66 | | JUN 3 66 | 1,258,986.89. |
| DO 14000 | 14,624.77 | | JUN 6 66 | 1,244,362.12. |
| DO 19000 | 1,984.80 | | JUN 7 66 | 1,242,377.32. |
| DO 4300 | 4,491.91 | | JUN 8 66 | 1,237,885.41. |
| DO 2400 | 2,507.11 | | JUN 9 66 | 1,235,378.30. |
| DO 36000 | 3,760.66 | | JUN 10 66 | 1,231,617.64. |
| DO 2500 | 2,611.57 | | JUN 13 66 | 1,229,006.07. |
| DO 2200 | 2,298.19 | | JUN 14 66 | 1,226,707.88. |
| CALLED AT 103.25 & INT OF 1.2125 PER 100 | 1,566.93 | | JUN 15 66 | 1,225,140.95. |
| DO | 3,029.41 | | JUN 16 66 | 1,222,111.54 |
| DO | 1,358.03 | | JUN 17 66 | 1,220,753.51. |
| DO | 835.70 | | JUN 20 66 | 1,219,917.81. |
| DO | 2,716.04 | | JUN 21 66 | 1,217,201.77. |
| DO | 1,253.55 | | JUN 22 66 | 1,215,948.22. |
| DO | 522.31 | | JUN 23 66 | 1,215,425.91. |
| DO | 6,581.15 | | JUN 24 66 | 1,208,844.76. |
| DO | 1,775.86 | | JUN 27 66 | 1,207,068.90. |
| DO | 313.38 | | JUN 28 66 | 1,206,755.52. |
| DO | 1,880.33 | | JUN 29 66 | 1,204,875.19. |
| DO | 1,462.48 | | JUN 30 66 | 1,203,412.71. |
| DEB RETD TO CUSTOMER AS PER CORP ADMIN MEMO DTD 7/1/66 SEE L TICKET NO. 27457 | | 313.39 | | |
| DO | 626.78 | | JUL 1 66 | 1,203,099.32. |
| DO | 3,133.88 | | JUL 5 66 | 1,199,965.44. |
| DO | 835.71 | | JUL 6 66 | 1,199,129.73. |

C.T.D. 40 3-56 [illegible]

CORPORATE TRUST FUNDS

TITLE THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

REMARKS No. 3

C.M.B. AS

APRIL 8 1966 REDEMPTION ACCOUNT

ACCOUNT

INDENTURE DATED

| DESCRIPTION | DEBIT | CREDIT | DATE | |
|---|---|---|---|---|
| BROUGHT FORWARD | | | JUL 6 65 | 1,199,129.73 |
| O/S CALLED AT 103.25 & INT OF 1.2125 PER 100 | 4,909.74 | | JUL 7 65 | 1,194,219.99 |
| DO | 1,044.63 | | JUL 8 65 | 1,193,175.36 |
| DO | 2,611.57 | | JUL 11 65 | 1,190,563.79 |
| DO | 1,358.01 | | JUL 12 65 | 1,189,205.78 |
| DO | 731.23 | | JUL 13 65 | 1,188,474.55 |
| DO | 12,326.58 | | JUL 14 65 | 1,176,147.97 |
| DO | 1,462.48 | | JUL 15 65 | 1,174,685.49 |
| DO | 10,655.18 | | | |
| DO | 2,924.95 | | JUL 18 65 | 1,161,105.36 |
| DO | 1,566.95 | | JUL 19 65 | 1,159,538.41 |
| DO | 2,298.18 | | JUL 20 65 | 1,157,240.23 |
| DO | 4,909.76 | | JUL 21 65 | 1,152,330.47 |
| DO | 4,909.74 | | JUL 22 65 | 1,147,420.73 |
| DO | 14,833.69 | | JUL 25 65 | 1,132,587.04 |
| DO | 17,549.74 | | JUL 26 65 | 1,115,037.30 |
| DO | 2,924.96 | | JUL 27 65 | 1,112,112.34 |
| DO | 6,058.83 | | JUL 28 65 | 1,106,053.51 |
| DO | 104.46 | | | |
| DO | 1,671.41 | | JUL 29 65 | 1,104,277.64 |
| DO | 6,476.69 | | AUG 1 65 | 1,097,800.95 |
| DO | 1,671.40 | | | |
| DO | 522.31 | | AUG 2 65 | 1,095,607.24 |
| DO | 9,192.71 | | AUG 3 65 | 1,086,414.53 |
| DO | 6,163.29 | | AUG 4 65 | 1,080,251.24 |
| DO | 6,999.01 | | AUG 5 65 | 1,073,252.23 |
| DO | 8,043.63 | | AUG 8 65 | 1,065,208.60 |
| DO | 9,923.95 | | AUG 9 65 | 1,055,284.65 |
| DO | 7,625.79 | | AUG 10 65 | 1,047,658.86 |
| DO | 12,535.52 | | AUG 11 65 | 1,035,123.34 |
| DO | 3,029.43 | | AUG 12 65 | 1,032,093.91 |
| DO | 10,864.10 | | AUG 15 65 | 1,021,229.81 |
| DO | 22,041.59 | | AUG 16 65 | 999,188.22 |
| DO | 7,521.31 | | AUG 17 65 | 991,666.91 |
| DO | 7,521.30 | | AUG 18 65 | 984,145.61 |
| DO | 2,924.96 | | AUG 19 65 | 981,220.65 |
| DO | 1,775.86 | | AUG 22 65 | 979,444.79 |
| DO | 4,074.05 | | | |
| DO | 208.93 | | AUG 23 65 | 975,161.81 |
| DO | 9,819.50 | | AUG 24 65 | 965,342.31 |
| DO | 1,358.02 | | AUG 25 65 | 963,984.29 |
| DO | 2,402.64 | | AUG 26 65 | 961,581.65 |

CORPORATE TRUST FUNDS

TITLE THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

C.H.B. AS

5¹ APRIL 8 1966 REDEMPTION ACCOUNT

ACCOUNT

No. 4

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE |
|---|---|---|---|---|
| BROUGHT FOWARD | | | AUG 26 66 | 961 581.65 |
| CALLED AT 103.25 & INT OF ~~XXXXX~~ 1.2125 PER 100 | 10,237.32 | | AUG 29 66 | 951 344.33 |
| ON 7/14/66 OUR CK CT343068 FOR $10,446.25 ISSUED ON RED ON $10.000 P.A. OF DEBS NOS M433879 FOR CUSTOMERS OF CHEMICAL BANK ESTATE OF REGINA MARX DECD CHEM BK RETD FUNDS TO US ON ~~XX~~ 7/22 FUNDS REDEPOSITED IN RED ACCT | | 10,446.25 | SEP 21 66 | 961 790.58 |
| CALLED AT 103.25 AND INTEREST OF 1.2125 PER 100 | 1,566.93 | | SEP 22 66 | 960 228.[illegible] |
| DO | 1,462.47 | | SEP 26 66 | 958 761.18 |
| DO | 2,507.10 | | SEP 27 66 | 956 254.08 |
| DO | 313.39 | | SEP 29 66 | 955 940.69 |
| DO | 313.39 | | SEP 30 66 | 955 627.30 |
| DO | 3,238.33 | | OCT 3 66 | 952 388.97 |
| DO | 2,298.18 | | OCT 5 66 | 950 090.79 |
| DO | 1,880.33 | | OCT 6 66 | 948 210.46 |
| DO | 835.69 | | OCT 7 66 | 947 374.~~79~~ 77 |
| DO | 6,372.20 | | OCT 10 66 | 941 002.57 |
| DO | 7,312.38 | | OCT 14 66 | 933 690.19 |
| DO | 1,462.47 | | OCT 17 66 | 932 227.72 |
| DO | 2,611.55 | | OCT 18 66 | 929 616.17 |
| DO | 11,908.67 | | OCT 20 66 | 917 707.50 |
| DO | 2,611.54 | | OCT 21 66 | 915 095.96 |
| DO | 2,820.47 | | OCT 24 66 | 912 275.49 |
| DO | 1,253.54 | | OCT 26 66 | 911 021.95 |
| DO | 208.92 | | OCT 27 66 | 910 813.03 |
| DO | 940.15 | | OCT 28 66 | 909 872.88 |
| DO | 13,684.53 | | NOV 2 66 | 896 188.35 |
| DO | 5,536.49 | | NOV 4 66 | 890 651.86 |
| DO | 1,571.40 | | NOV 9 66 | 888 980.46 |
| DO | 2,820.48 | | NOV 15 66 | 886 159.98 |
| DO | 2,402.62 | | NOV 17 66 | 883 757.36 |
| DO | 104.46 | | | |
| DO | 2,820.47 | | NOV 18 66 | 880 832.43 |
| DO | 6,267.72 | | NOV 23 66 | 874 564.71 |
| DO | 1,671.39 | | | |
| DO | 417.85 | | NOV 29 66 | 872 475.47 |
| DO | 3,342.80 | | DEC 2 66 | 869 132.67 |
| DO | 3,969.57 | | DEC 6 66 | 865 163.10 |
| DO | 7,521.28 | | DEC 12 66 | 857 641.82 |
| DO | 3,447.26 | | DEC 16 66 | 854 194.56 |
| DO | 1,044.62 | | | |
| DO | 1,149.09 | | DEC 20 66 | 852 000.85 |

C.TR.49 3-56

CORPORATE TRUST FUNDS

TITLE 52 THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

REMARKS 1. SHEET NO. 5

C.M.B. AB

APRIL 8 1966 REDEMPTION ACCOUNT

ACCOUNT

INDENTURE DATED 1-13612

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| ~~BROUGHT FOWARD~~ | | | ~~DEC 20 65~~ | ~~852,000.85 *~~ | 665,612.55 |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 | | | | | |
| DO | 208.92 | | DEC 23 66 | 851,791.93 * | [illegible] |
| DO | 3,029.42 | | DEC 29 66 | 848,762.51 * | 862,374.51 |
| DO | 522.31 | | | | |
| DO | 9,610.55 | | JAN 5 67 | 838,629.65 * | 852,241.65 |
| RED CK ISS TO MRS ELIZABETH R YOUNG REDEP /SEE TICKET/ | | 2,089.25 | JAN 6 67 | 840,718.90 * | 854,330.90 |
| DO | 731.23 | | JAN 9 67 | 839,987.67 * | 853,599.67 |
| DO | 3,447.26 | | JAN 11 67 | 836,540.41 * | 85[illegible],152.41 |
| DO | 5,432.05 | | JAN 16 67 | 831,108.36 * | 844,720.36 |
| DO | 208.92 | | JAN 18 67 | 830,899.44 * | [illegible] |
| DO | 1,149.09 | | JAN 19 67 | 829,750.35 * | [illegible] |
| DO | 7,730.22 | | JAN 24 67 | 822,020.13 * | 835,632.13 |
| DO | 731.24 | | JAN 26 67 | 821,288.89 * | 834,900.89 |
| DO | 4,074.04 | | JAN 31 67 | 817,214.85 * | 830,826.85 * |
| DO | 1,671.40 | | FEB 6 67 | 815,543.45 * | 829,155.45 * |
| DO | 6,372.21 | | FEB 8 67 | 809,171.24 * | 822,783.24 * |
| DO | 522.31 | | FEB 17 67 | 808,648.93 * | 822,260.93 * |
| DO | 3,969.57 | | FEB 24 67 | 804,679.36 * | 818,291.36 * |
| DO | 4,387.43 | | MAR 2 67 | 800,291.93 * | 813,903.93 * |
| DO | 8,670.38 | | MAR 13 67 | 791,621.55 * | 805,233.55 * |
| DO | 6,894.53 | | MAR 20 67 | 784,727.02 * | 798,339.02 * |
| DO | 15,773.84 | | MAR 24 67 | 768,953.18 * | 782,565.18 * |
| DO | 1,358.01 | | MAR 31 67 | 767,595.17 * | 781,207.17 * |
| DO | 3,656.18 | | APR 7 67 | 763,938.99 * | 777,550.99 * |
| DO | 2,820.49 | | APR 13 67 | 761,118.50 * | 774,730.50 * |
| DO | 417.85 | | APR 20 67 | 760,700.65 * | 774,312.65 * |
| DO | 1,044.63 | | APR 25 67 | 759,656.02 * | 773,268.02 * |
| DO | 417.85 | | APR 27 67 | 759,238.17 * | 772,850.17 * |
| DO | 835.70 | | MAY 9 67 | 758,402.47 * | 772,014.47 * |
| DO | 8,774.84 | | MAY 25 67 | 749,627.63 * | 763,239.63 * |
| DO | 5,118.66 | | JUN 8 67 | 744,508.97 * | 758,120.97 * |
| DO | 2,402.64 | | JUN 14 67 | 742,106.33 * | 75[illegible]18.33 * |
| DO | 3,238.34 | | JUN 21 67 | 738,867.99 * | 752,479.99 |
| DO | 1,358.01 | | JUL 5 67 | 737,509.98 * | 75[illegible],121.98 |
| DO | 3,656.19 | | JUL 18 67 | 733,853.79 * | 747,465.79 * |
| DO | 8,252.54 | | JUL 27 67 | 725,601.25 * | 739,213.25 * |
| DO | 835.70 | | AUG 8 67 | 724,765.55 * | 738,377.55 * |
| DO | 2,193.71 | | AUG 25 67 | 722,571.84 * | 736,183.84 * |
| DO | 10,132.86 | | AUG 30 67 | 712,438.98 * | 726,050.98 * |

C.T.O. 49 3-56 PTG 1-66

CORPORATE TRUST FUNDS

B.F.

TITLE THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
C.M.B. AS DUE JULY 1 1980

APRIL 8 1966 REDEMPTION ACCOUNT

ACCOUNT

REMARKS Corporate

SHEET NO. 6

INDENTURE DATED

1-1361?

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| BROUGHT FOWARD | | | AUG 30 67 | 712,432.98* | [illegible] |
| CALLED AT 103.25 AND INTEREST | 2,820.49 | | SEP 13 67 | 709,618.49* | [illegible] |
| DO | 9,297.16 | | OCT 3 67 | 700,321.33* | [illegible] |
| DO | 3,551.72 | | OCT 23 67 | 696,769.61* | [illegible] |
| DO | 940.16 | | NOV 1 67 | 695,829.45* | [illegible] |
| DO | 4,282.95 | | NOV 15 67 | 691,546.50* | [illegible] |
| DO | 5,014.19 | | NOV 29 67 | 686,532.31* | [illegible] |
| DO | 1,880.33 | | DEC 20 67 | 684,651.98* | [illegible] |
| DO | 2,402.63 | | JAN 5 68 | 682,249.35* | [illegible] |
| DO | 5,640.98 | | JAN 10 68 | 676,608.37* | [illegible] |
| DO | 2,716.03 | | JAN 23 68 | 673,892.34* | [illegible] |
| DO | 10,028.40 | | FEB 5 68 | 663,863.94* | [illegible] |
| DO | 1,149.09 | | FEB 20 | 662,714.85* | [illegible] |
| DO | 2,716.02 | | MAR 1 68 | 659,998.83* | [illegible] |
| DO | 3,029.41 | | MAR 21 68 | 656,969.42* | [illegible] |
| DO | 1,775.86 | | APR 4 68 | 655,193.56* | [illegible] |
| FUNDS RETURNED TO REDEMPTION ACCOUNT PURSUANT TO TELEPHONE REQUEST OF DEAN WITTER & CO CUSTOMER NOW REQUEST THAT DEBENTURE D1632 $500 PA BE RETURNED | | 499.81 | APR 5 68 | 655,693.37*<br>650,156.86 | [illegible] |
| called at $103.25 & Int of 1.2125 per 100.00 | 5,536.51 | | 4/24/68 | | |
| DO | 626.78 | | MAY 2 68 | 649,530.08* | [illegible] |
| DO | 1,984.79 | | MAY 27 68 | 647,545.29*<br>645,664.96 | [illegible] |
| DO | 1,880.33 | | | | |
| DO | 522.31 | | JUL 18 68 | 645,142.65* | [illegible] |
| DO | 13,057.82 | | JUL 29 68 | 632,084.83* | [illegible] |
| DO | 1,149.09 | | AUG 7 68 | 630,935.74* | [illegible] |
| DO | 1,462.48 | | AUG 19 68 | 629,473.26* | [illegible] |
| TRUSTEE CALLED AT $103.25 AND INTEREST OF 1,2125 PER $100 | 940.16 | | SEP 20 68 | 628,533.10* | [illegible] |
| DO | 1,880.33 | | OCT 2 68 | 626,652.77* | [illegible] |
| CALLED AT $103.25 AND INT OF 1,2125 PER $100 | 417.84 | | OCT 17 68 | 626,234.93* | 639,846.93* |

CORPORATE TRUST FUNDS

TLE

REMARKS

SHEET NO. 1

NO. 8.45

THE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1980

1-1361

INDENTURE DATED

CCOUNT APRIL 8 1966 SINKING FUND REDEMPTION ACCOUNT

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| UGHT FOWARD | | | OCT 17 68 | 626,234.93* | 639,846.93* |
| LLED AT 103.25 AND INTEREST | 1,358.01 | | OCT 22 68 | 624,876.92* | 638,488.92* |
| | 105.46 | | OCT 25 68 | 624,771.46* | 638,383.46* |
| S DEBITED IN ERROR ON 10/17/68 ISSUE CHECK FOR<br>,253.55 THIS AMT WAS INCORRECT SEE L TICKETS &<br>S TICKET THIS DATE | | 1,253.55 | | | |
| LLED AT 103.25 INT OF 1.2125 PER $100 BD NU M192<br>S PD LESS A MISSING COUPON | 1,253.55 | | OCT 28 68 | 624,771.46* | 638,383.46* |
| UND DEBIT IN ERROR | | 105.46 | | | |
| ALLED AT 103.25 AND IN[illegible] 1.2125 PER $100 | 104.46 | | OCT 29 68 | 624,772.46* | 638,384.46* |
| ALLED AT 103.25 AND INTEREST OF 1.2125 PER $100 | 1,566.94 | | NOV 13 68 | 623,205.52* | 636,817.52* |
| DO | 731.23 | | NOV 18 68 | 622,474.29* | 636,086.29* |
| DO | 1,775.86 | | NOV 20 68 | 620,698.43* | 634,310.43* |
| DO | 208.93 | | DEC 2 68 | 620,489.50* | 634,101.50* |
| DO | 104.46 | | DEC 11 68 | 620,385.04* | 633,997.04* |
| DO | 522.31 | | DEC 18 68 | 619,862.73* | 633,474.73* |
| DO | 104.46 | | DEC 19 68 | 619,758.27* | 633,370.27* |
| DO | 626.77 | | JAN 8 69 | 619,131.50* | 632,743.50* |
| DO | 2,924.95 | | JAN 28 69 | 616,206.55* | 629,818.55* |
| DO | 731.24 | | FEB 3 69 | 615,475.31* | 629,087.31* |
| DO | 104.46 | | FEB 4 69 | 615,370.85* | 628,982.85* |
| DO | 1,149.09 | | FEB 5 69 | 614,221.76* | 627,833.76* |
| DO | 1,149.08 | | FEB 14 69 | 613,072.68* | 626,684.68* |
| DO | 104.46 | | FEB 25 69 | 612,968.22* | 626,580.22* |
| DO | | | FEB 28 69 | 612,654.83* | 626,266.83* |
| DO | 313.39 | | MAR 3 69 | 612,341.44* | 625,953.44* |

C.TR. 45 3-56 PTG. 1-60

CORPORATE TRUST FUNDS

Corporate

TITLE
C. M. B. AS BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE JULY 1 1990
ACCOUNT APRIL 8 1966 SINKING FUND REDEMPTION ACCOUNT

REMARKS

SHEET NO.

INDENTURE DATED 1-13612

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| ROUGHT-FOWARD | | | | | |
| | | | MAR 3 69 | 612,341.44* | 625,953.44* |
| ALLED AT $103.25 AND INTEREST OF 1.2125 Per PGS $100 | 104.46 | | MAR 11 69 | 612,236.98* | 625,848.98* |
| 0 BOND NUMBER C 434/36 | 313.39 | | MAR 14 69 | 611,923.59* | 625,535.59* |
| 0 DD 3443/4 | 208.93 | | MAR 20 69 | 611,714.66* | 625,326.66* |
| 0 BOND NUMBER C 1574 | 104.46 | | MAR 24 69 | 611,610.20* | 625,222.20* |
| 0 | 208.93 | | MAR 31 69 | 611,401.27* | 625,013.27* |
| 0 C 7409 | 104.46 | | APR 3 69 | 611,296.81* | 624,908.81* |
| 9 | | 5,014.20<br>5,014.20◇ | APR-8-69- | 616,311.01* | 629,923.01* |
| | 5,014.20 | | APR 8 69 | 606,282.61* | 619,894.61* |
| 9 | 417.85 | | APR 11 69 | 605,864.76* | 619,476.76* |
| 0 C 102/3 | 208.93 | | APR 16 69 | 605,655.83* | 619,267.83* |
| 9 C 102/3 | 104.46 | | APR 18 69 | 605,551.37* | 619,163.37* |
| 0 C755/7 | 313.39 | | APR 23 69 | 605,237.98* | 618,849.98* |
| 9 C 2005/8 C 3578 D 254 M 26689/93 | 6,163.29 | | APR 29 69 | 599,074.69* | 612,686.69* |
| 0 C 2502/4 M 167/176 | 10,759.64 | | MAY 1 69 | 588,315.05* | 601,927.05* |
| 0 C 2011/16 374 D 688/9 | 1,775.86 | | MAY 7 69 | 586,539.19* | 600,151.19* |
| 0 C 7370 D 1347 C 5304 | 940.15 | | MAY 16 69 | 585,599.04* | 599,211.04* |
| 0 D 81 C 690/1 M77 | 1,775.87 | | MAY 21 69 | 583,823.17* | 597,435.17* |
| 0 D 1036 C 4204 C 3164/35 | 835.70 | | MAY 23 69 | 582,987.47* | 596,599.47* |
| 0 M88 | 1,044.63 | | MAY 27 69 | 581,942.84* | 595,554.84* |
| 9 M 422 C 5506 | 2,193.71 | | JUN 3 69 | 579,749.13* | 593,361.13* |
| 9 C 11252 C 144/5 | 313.39 | | JUN 11 69 | 579,435.74* | 579,435.74* |
| 0 M 15152 15186 17145 5598 20735 27589/81 | 8,357.01 | | JUN 17 69 | 571,078.73* | 571,078.73* |
| 5 C 3999 4000 D 533 M 603 | 1,775.86 | | JUN 25 69 | 569,302.87* | 569,302.87* |
| C M15616 1611 2647 | 5,327.61 | | JUL 2 69 | 563,975.26* | 563,975.26* |
| 9 M 15617 15868 C 3235 C 8341/5 C 1767/70 | 3,133.87 | | JUL 9 69 | 560,841.39* | 560,841.39* |
| DO C 5127<br>DO C 5127 | 104.46 | | JUL 14 69 | 560,736.93T | 560,736.93T |
| DO D 774 5765/6 | 731.24 | | JUL 23 69 | 560,005.69* | 560,005.69* |
| DO C 3155 | 104.46 | | JUL 24 69 | 559,901.23* | 559,901.23* |
| DO C4717 | 104.46 | | JUL 29 69 | 559,796.77* | 559,796.77* |
| DP C104/5 | 208.93 | | JUL 30 69 | 559,587.84* | 559,587.84* |
| DO 2560/3 C 2522 | 522.31 | | AUG [illegible] 69 | 559,065.53* | 559,065.53* |
| [illegible] CT 3/7 C3457/9 C4696 | 2,[illegible] | | | | |
| DO C4352 D 556 M 655/6 | 835.70 | | AUG 6 69 | 558,229.83* | 558,229.83* |
| DC 5462 13350/1 3012/3 | 7,312.38 | | AUG 11 69 | 547,992.50* | 561,604.50* |

CORPORATE TRUST FUNDS
THE CHASE MANHATTAN BANK N.A.

BF

TITLE BOEING COMPANY
4 1/2% CONVERTIBLE SUBORDINATED DEBENTURES
DUE 7 1 89

REMARKS No Statements

SHEET NO. 9

ACCOUNT 4/8/66 SINKING FUND REDEMPTION ACCOUNT

INDENTURE DATED

1-13612

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| BROUGHT FORWARD | | | AUG11 69 | 547,992.50 * | 561,604.50 * |
| CALLED AT $103.25 AND INTEREST OF 1.2125 PER $100 C4635/8 D851 | 835.70 | | AUG14 69 | 547,156.80 * | 560,768.80 * |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C13082/4 C5755 | 417.85 | | AUG19 69 | 546,738.95 * | 560,350.95 * |
| CALLED AT $103.25 AND INT. OF 1.2125 XPER $100 M4694/7 | 417.85 | | AUG21 69 | 546,321.10 * | 559,933.10 * |
| TTEE - CALLED AT $103.25 AND INTEREST OF 1.2125 PER $100. C5516 D556 | 626.77 | | AUG25 69 | 545,694.33 * | 559,306.33 * |
| CALLED AT 103.25 ANT INT OF 1.2125 PER 100 M 688 | 1,044.63 | | AUG28 69 | 544,649.70 * | 558,261.70 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 | 731.24 | | SEP 3 69 | 543,918.46 * | 557,530.46 * |
| TTEE - CALLED AT $103.25 & INT OF 1.2125 PER $100 C7661 BD PD IN FULL ON INSTRUCTION FROM ADM | 104.46 | | SEP11 69 | 543,814.00 * | 557,426.00 * |
| TTEE-CALLED AT $103.25 AND INT OF 1.2125 PER $100 C10168/9, 7105/7 | 522.31 | | SEP12 69 | 543,291.69 T | [illegible] T |
| TTEE CALLED AT $103.25 AND INTEREST OF 1.2125 PER $100 M98 C6339 | 1,149.09 | | SEP23 69 | 542,142.60 T | 555,754.60 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C2241/2 | 208.93 | | SEP26 69 | 541,933.67 T | 555,545.67 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 | 20,996.96 | | SEP29 69 | 520,936.71 T | 534,548.71 T |
| CALLED AT $103.25 AND INT.OF 1.2125 PER $100 | 2,611.57 | | OCT 6 69 | 518,325.14 * | 531,937.14 * |
| CALLED AT 103.25 AND INT BD NO C 1766 6943/4 D 79 | 835.70 | | OCT14 69 | 517,489.44 * | 531,101.44 * |
| CALLED AT $103.25 AND INT BD C2109 OF 1.2125 PER $100 | 104.46 | | OCT16 69 | 517,384.98 T | 530,996.98 T |
| [illegible] | 1,358.02 | | OCT20 69 | 516,026.96 T | 529,638.96 T |
| CALLED AT $103.25 AND INTERESTS OF 1.2125 PER $100 C4043/5 | 313.39 | | OCT24 69 | 515,713.57 T | 529,325.57 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C6685/6 C4111/3 C9815 | 626.78 | | OCT29 69 | 515,086.79 T | 528,698.79 T |
| CALLED AT $103.25 AND INTEREST OF 1.2125 PER $100 ~~M13789 A157/8 1710 3/4 PAID LESS & THRU 11 1/1/69~~ | ~~5,223.13~~ | | ~~OCT30 69~~ | ~~509,863.66 T~~ | [illegible] T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C10571 9679/81 | 417.85 | | NOV17 69 | 509,445.81 T | 523,057.81 T |

C.T.R. 46 3-56 PTG. 10-60

CORPORATE TRUST FUNDS

TITLE BOEING COMPANY
4½% CONDERTIBLE SUBORDINATED DEBENTURES
C. M. B. AS DUE 7 1 80
4/S/66 SINKING FUND REDEMPTION ACCOUNT

REMARKS N/p [illegible] SHEET NO. 10

ACCOUNT

INDENTURE DATED 1-13612

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| ~~BROUGHT FORWARD~~ | | | NOV 1 69 | 509,445.81 T | 523,057.81 T |
| CALLED AT $103.25 AND INTEREST OF 1.2125 PER 100 BOND C6940 PAID IN FULL ON INSTRUCTIONS FROM ADMINISTRATION C3691 C3164/5 6852/3 | 626.78 | | NOV 19 69 | 508,819.03 T | 522,431.03 T |
| CALLED AT $103.25 AND INTEREST OF 1,2125 PER $100 D500 C2768 | 626.77 | | NOV 24 69 | 508,192.26 T | 521,804.26 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER 100 BONDS C6016/7 13074/8 PAID IN FULL ON INSTRUCTION S FROM ADMINISTRATION LESS JULY 1 1966 THRU JULY 1 1969 MISSIN G COUPONS | 731.24 | | | | |
| CALLED AT $103.25 AND INTEREST OF 1.2125 PER $100 C1103 | 104.46 | | NOV 26 69 | 507,356.56 T | 520,968.56 T |
| CALLED AT $103.25 AND INTO OF 1.2125 PER $100 X D1524 | 522.31 | | DEC 1 69 | 506,834.25 T | 520,446.25 T |
| CALLED AT $103.25 AND INTEREST OF 1,2125 PER $100 23135 13550 | 2,089.25 | | DEC 2 69 | 504,745.00 T | 518,357.00 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 7852/3 PAID LESS 7/1/66 THRU 7/1/69 MISSING CPN | 208.93 | | DEC 5 69 | 504,536.07 T | 518,148.07 T |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C543/5 2903/4 | 522.32 | | DEC 10 69 | 504,013.75 T | 517,625.75 T |
| LLED AT $103 AND INTEREST OF 1.2125 PER 100 BONDS 654 PAID IN FULL ON INSTRUCTIONS FROM ADM LES U 1/1/69 MISSING CPN | 104.46 | | DEC 16 69 | 503,909.29 * | 517,521.29 * |
| LED AT $103.25 AND INT OF 1.2125 PER $100 3427/4 D236 M11251/2 18271 241 | 5,014.21 | | DEC 19 69 | 498,895.08 * | 512,507.08 * |
| CALLED AT 103.25 | 104.46 | | DEC 24 69 | 498,790.62 * | [illegible] |
| ~~[illegible]~~ SEE MEMO DATED JANUARY 7 1970 | | 215.83 | JAN 8 70 | 499,006.45 * | 512,613.45 * |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 | 313.39 | | JAN 30 70 | 498,693.06 * | 512,305.06 * |
| CALLED AT 103.25 INT OF 1.2125 PER 100 | 208.93 | | | | |
| CALLED AT 103.25 INT OF 1.2125 PER 100 [illegible] D1054 | 4,909.74 | | FEB 5 70 | 493,574.30 | 507,186.39 * |

CORPORATE TRUST FUNDS

TITLE BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
C. M. B. AS DUE 7/1/80
4/8/66 SINKING FUND REDEMPTION ACCOUNT

ACCOUNT

REMARKS No Statement

SHEET NO. 11

INDENTURE DATED

1-13612

| BROUGHT FORWARD DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| | | | FEB 5 70 | 493,574.39 * | 507,186.39 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 D 7025 M5018 1352/3 C3360/2 | 3,969.58 | | FEB 9 70 | 489,604.81 * | 503,216.81 * |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C6607 | 104.46 | | FEB 13 70 | 489,500.35 * | 503,112.35 * |
| CALLED AT $103.25 AND INT OF 1.2125 PER $100 C4365/7 2942/3 M591 | 1,566.94 | | FEB 24 70 | 487,933.41 * | 501,545.41 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 C8126 | 104.46 | | FEB 25 70 | 487,828.95 * | 501,440.95 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER $100 M1 C5669/70 | 1,253.56 | | MAR 2 70 | 486,575.39 * | 500,187.39 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER $100 C927/9 C2232/4 | 626.78 | | MAR 5 70 | 485,948.61 * | 499,560.61 * |
| CALLED AT XXXXXX 103.25 AND INT OF 1.2125 PER $100 | 1,984.79 | | MAR 10 70 | 483,963.82 * | 497,575.82 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 C3117/8 | 208.93 | | MAR 13 70 | 483,754.89 * | 497,366.89 * |
| CALLED AT 103.25 AND IN OF 1.2125 PER 100 C2801 D762 | 626.77 | | MAR 18 70 | 483,128.12 * | 496,740.12 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 M178287 C20055 | 1,149.09 | | MAR 19 70 | 481,979.03 * | 495,591.03 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 XXXXXX BOND NUMBER M12468 | 1,044.63 | | MAR 26 70 | 480,934.40 * | 494,546.40 * |
| CALLED AT XXXXX 103.25 AND INT OF 1.2125 PER 100 BOND 7091/9 | 208.93 | | MAR 30 70 | 480,725.47 * | 494,337.47 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER $100 BOND NUMBER C2070/1 | 208.93 | | APR 7 70 | 480,516.54 * | 494,128.54 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 BOND NUMBER 2297 | 104.46 | | APR 9 70 | 480,412.08 * | 494,024.08 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 BOND NUMBER C10137/8 D178 | 731.24 | | APR 13 70 | 479,680.84 * | 493,292.84 * |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 | 208.93 | | APR 15 70 | 479,471.91 * | 493,083.91 * |

CORPORATE TRUST FUNDS

THE CHASE MANHATTAN BANK, N.A.

131

BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
DUE 7 1 80
4 8 66 SINKING FUND REDEMPTION ACCOUNT

REMARKS No Statement

SHEET NO. 12

INDENTURE DATED

13612

| THE ## FORWARD DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| | | | APR 15 70 | 479,471.91* | 493,083.91* |
| D AT 103.25 AND INT OF 1.2125 PER 100 | 522.31 | | APR 17 70 | 478,949.60* | 492,561.60* |
| D AT 103.25 AND INT OF 1.2125 PER 100<br>C5930 4475 | 208.92 | | | | |
| D AT 103.25 AND INT OF 1.2125 ~~PERE~~ per 100<br>M2202 PAID LESS 7/1/66 1/1/67 MISSING COUPON | 1,044.63 | | APR 22 70 | 477,696.05* | 491,308.05* |
| D AT 103.25 AND INT OF 1.2125 PER 100 BONDS<br>4 PAID IN FULL ON INSTRUCTION FROM ADMIN 7/1/66<br>NG COUPON | 104.46 | | | | |
| D AT 103.25 AND INT OF 1.42 PER $100 BOND<br>PAID LESS 7/1/66 THUR 7/1/69 MISSING COUPON | 522.31 | | APR 24 70 | 477,069.28* | 490,681.28* |
| D AT 103.25 AND INT OF 1.2125 PER 100 BOND<br>PAID LESS JULY 1 1966 AND JANUARY 1 1967 | 104.46 | | MAY 1 70 | 476,964.82* | 490,576.82* |
| D BY 103.25 AND INT OF 1.2125 PER 100<br>NUMBER 45 | 522.31 | | MAY 5 70 | 476,442.51* | 490,054.51* |
| D AT 103.25 AND INT 1.2125 PER 100 BOND<br>700 2235/7 3093/5 4297 | 940.17 | | MAY 7 70 | 475,502.34* | 489,114.34* |
| ED AT 103.25 AND INT OF 1.2125 PER 100<br>ND NUMBER 3968 5914/5 6909 6929 9879/81<br>13/5 D791 948 | 2,193.71 | | MAY 14 70 | 473,308.63* | 486,920.63* |
| LED BY NUMBER AT 103.25 AND INT OF 1.2125 PER 100<br>D C2643 3306/8 12966 | 522.31 | | MAY 16 70 | 472,786.32* | [illegible] |
| LED AT 103.25 AND INT OF 1.2125 PER 100<br>D 22572/73 C10141/2 2461/63 | 2,611.56 | | JUN 4 70 | 470,070.30* | 483,682.30* |
| LED AT 103.25 AND INT OF 1.2125 PER 100<br>IDS C6842 PAID IN FULL ON INS FRO | 104.46 | | | | |

CORPORATE TRUST FUNDS

THE CHASE MANHATTAN BANK, N.A.

53

TITLE BOEING COMPANY
4 1/2% CONVERTIBLE SUBORDINATED DEBENTURES
C. M. B. AS DUE 71 90
B 4 8 66 SINKING FUND REDEMPTION ACCOUNT

REMARKS No S/Haroldo

SHEET NO. 13

ACCOUNT

INDENTURE DATED

13612

| B.F. DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| | | | JUN 4 70 | 470,070.30* | 483,682.30 |
| CALLED AT $ 103.25 AND INT OF 1.2125 PER $ 100 BOND NUMBER D1033-17 C7534 | 1,149.09 | | JUN 9 6 70 | 468,921.21* | 482,533.21 |
| CALLED AT $103.25 AND INT OF 1.2125 PER $ 100 BOND NUMBER C2993 PAID LESS 7 1 66 MISSING COUPON | 104.46 | | JUN 11 70 | 468,816.75* | 482,428.75* |
| CALLED AT 103.25 AND INT OF 1.2125 PER $100 BOND NUMBER C3099/901 | 313.39 | | JUN 12 70 | 468,503.36* | 482,115.36* |
| CALLED AT 103.25 103.20 AND INT OF 1.2125 PER $ 100 BONDS C9994/6 PAID IN FULL ON INS FROM ADM MISSING 7 1 66 MISSING COUPON | 313.39 | | | | |
| CALLED AT 103.25 AND INT OF 1.2125 PER $ 100 BOND C0576 6704/5 D22 M773 3681 | 4,074.05 | | JUN 18 70 | 464,115.92* | 477,727.92* |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 BOND C9594/5 PAID INX FULL INS FROM ADMN MISSING 7 1 66 COUPON | 208.93 | | | | |
| CALLED AT 103.25 AND INT. OF XXXX 1.2125 PER 100 BOND C531/3 5358/61 5993 6616/1 | 1,044.62 | | JUN 24 70 | 462,862.37* | 476,474.37* |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 BONDS 1.2125 PER $100 BONDS C1163/4 13978/9 | 417.86 | | JUN 30 70 | 462,444.51* | 476,056.51* |
| CALLED AT 10 103.25 AND INT OF 1.2125 PER 100 BONDS C732/4 6210/12 13692 | 731.24 | | JUL 7 70 | 461,713.27* | 475,325.27* |
| CALLED AT 103.25 AND OF 1.2125 PER 100 BONDS C11009/91 D1780 M1409/10 13992/4 | 6,058.83 | | JUL 15 70 | 455,654.44* | 469,266.44* |
| CALLED AT 103.25 AND INT OF 1.2125 PER BONDSC C9381 D 1380 M2757 MISSING 7 1 70 COUPON BONDS C9381 PAID IN FULL INS FROM B ADMIN | 4,805.28 | | JUL 20 70 | 450,849.16* | 464,461.16* |
| CALLED AT 103/25 AND INT OF 1.2125 PER $100 BOND NUMBER C 1104/7 5288/9 5497 M1106 | 1,775.88 | | | | |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100 BONDS M9147 PAID IN FULL ON INS FROM ADM MISS 7 1 66 COUPON | 1,044.63 | | JUL 22 70 | 448,028.65* | 461,640.65* |
| CALLED AT 103.25 AND INT OF 1.2125% BOND C497 C3056 | 208.92 | | JUL 23 70 | 447,819.73* | 461,431.73* |

CORPORATE TRUST FUNDS

THE CHASE MANHATTAN BANK N.A.

TITLE X C/ BOEING COMPANY
4½% CONVERTIBLE SUBORDINATED DEBENTURES
C. M. B. AS DUE 7 1 80
4 8 66 SINKING FUND REDEMPTION ACCOUNT

REMARKS No Statement

SHEET NO. 14

ACCOUNT

INDENTURE DATED 13610

B.F.

| DESCRIPTION | DEBIT | CREDIT | DATE | BALANCE | OLD BALANCE |
|---|---|---|---|---|---|
| | | | JUL 23 70 | 447,819.73* | 461,431.73* |
| CALLED AT 103.25 AND INT OF 1.2125% BOND NUMBER C497 3056 | 12,639.97 | | AUG 6 70 | 435,179.76* | 448,791.76* |
| CALLED AT 103.25 AND INT OF 1.2125% BOND C4843/4 6280/2 | 522.31 | | AUG 10 70 | 434,657.45* | 448,269.45* |
| CALLED AT 103.25 AND INT OF 12125 BD C 608 5386/8 | 417.85 | | | | |
| DO BDS C 7371/2 | 208.92 | | | | |
| DI C 615 3372/5 6444 M 463 6494 14325/8 22675/9 | 12,117.65 | | AUG 21 70 | 421,913.03* | 435,525.03* |
| THE ABOVE ACCOUNT WAS DEBITED ON 7 15 70 RECEIVED CHECK FOR SAID AMOUNT FROM HALLGARTEN AND CO WHO WISHES TO HAVE BOND REINSTATED AND NOT REDEEM | | 3,969.58 | | | |
| CALLED AT 103.25 AND INT OF 1.2125% BDS NO C 4593/4 D 30 | 731.23 | | AUG 25 70 | 425,151.38* | 438,763.38* |
| CALLED AT 103.25 AND INT OF 1.2125 PER 100. BDS C1276/7 PAID IN FULL C/ INSTRUCTIONS FROM ADM MISSING 7 1 66 THROUGH 7 1 70 COUPON | 208.92 | | | | |
| CALLED AT 103.25 AND INT OF 1.2125 % BD NO C5198 | 104.46 | | SEP 4 70 | 424,838.00* | 438,450.00* |

CERTIFIED TRUE COPY OF A CASH LEDGER THE ORIGINAL
OF WHICH REMAINS IN THE POSSESSION OF THE CHASE
MANHATTAN BANK (NATIONAL ASSOCIATION)

JLHoward
John L. Howard
Second Vice President

Item 46. ✓
55

4 2

BOEING NEWS

VOL. 25, NO. 12 PUBLISHED BY PUBLIC RELATIONS, SEATTLE-RENTON, WASH. MARCH 24, 1966

# Boeing Debenture Bondholders Have These Three Options

Employees and others who hold Boeing 4½ per cent convertible subordinated debenture bonds have been notified that the company intends to redeem those bonds. Options open to bondholders include:

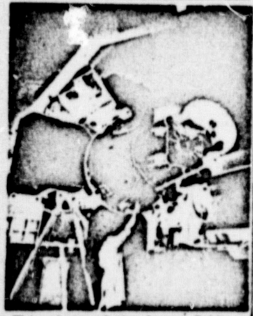
(1) Sell the bonds. The market value of each $100 bond is about $280, about twice that of one share of Boeing common stock. If this option is to be taken, the bondholder should deliver his bonds to the broker today or tomorrow to assure adequate processing time.

(2) Convert the bonds to Boeing common stock. This would give the bondholder about two shares for each $100 bond. The trustee, Chase Manhattan Bank N.A. (Corporate Agency Department), 80 Pine St., New York City, 10015, must receive the bonds by March 29.

(3) Redeem the bonds for cash by April 8. The redemption price for each $100 bond is $103.25 plus accrued interest of $1.23.

The closing price of Boeing debentures on the New York Stock Exchange as of March 21 was $292½ and on Boeing stock, $147⅞. Bondholders who wish to convert or redeem bonds should have their bank or broker forward them to the trustee (name and address in Option 2 above).

Employee bondholders may direct their questions to the Corporate Treasurer's Office, 1-9500, Mail Stop 10-20, Ext. 6-2608.



This photo of the Lunar Orbiter on special rotating rack appeared on the cover of the Feb. 14 issue of *Aviation Week*. From left, Jerry Streve, 2-1533, and Rollen Wiseman, 2-1549.

## Lunar Orbiter Put On Rack to Check Its Moving Parts

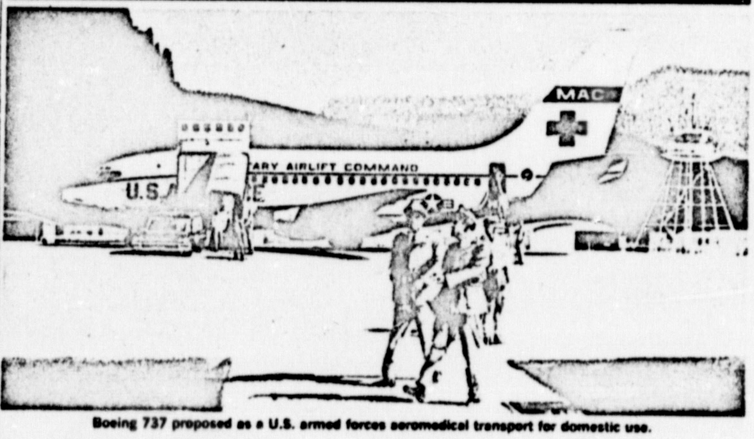
Spread-eagled in a three-axis test stand at the Missile Production Center, the Lunar Orbiter spacecraft has been put through a series of tests to check its attitude control and the pop-out antennas and solar panels.

The stand can be rotated to test the Lunar Orbiter in any position. The tests are to verify system design. The first of five Lunar Orbiters to photograph the moon will be launched from Cape Kennedy in mid-1966. Boeing is building the spacecraft for the National Aeronautics and Space Administration. The Langley Research Center is directing the program.

## Continental to Add Six—320s to Fleet

Continental Air Lines will more than double its capacity for intercontinental operations with the addition of six new Boeing 707-320C Intercontinental jetliners in 1966 and early 1967, Robert F. Six, president of the Los Angeles-headquartered company, announced Monday.

Six said Continental has ordered four more 707-320Cs for delivery in December, 1966, and January, February and March, 1967. These are in addition to two previously announced 707-320Cs scheduled for delivery in July and August, 1966. Continental at present operates four of the long-range aircraft.



Boeing 737 proposed as a U.S. armed forces aeromedical transport for domestic use.

### Quick, Convenient, Comfortable:

# 737 Proposed as Aeromedical Plane

Newest Boeing jetliner, the 737 twinjet, is well-suited to the domestic aeronautical airlift mission of the U.S. Air Force, according to Boeing studies.

The domestic aeromedical airlift force, operated by the Military Airlift Command, transports military patients between more than 600 medical facilities within the United States according to the kind of care they need. One of its main jobs is carrying wounded or ill servicemen from ports of entry on both coasts to hospitals throughout the country. More than 40,000 are airlifted annually in this country. The Viet Nam conflict is increasing the number.

The 737 aeromedical version would have a wingspan of 93 feet, a length of 94 feet and a tail height of 37 feet. It could carry 64 stretchers or 82 patients able to sit in seats, or a combination. It would have 650 cubic feet of cargo space below the floor.

**● Non-Stop 2,600 Miles**

With an average load of 20 stretcher patients and 20 ambulatory patients, the 737 could fly 2,600 miles nonstop, which is coast-to-coast with ample reserves. With the maximum load, it could fly more than 1,800 miles. The present twin-engined aeromedical transports can carry only nine stretcher patients and 14 walking patients over shorter ranges.

Aeromedical airlift has been found to be less expensive and easier on patients than ground travel. For a number of years all military patients have been returned from overseas aboard large, long-range jet aircraft, including Boeing C-135s.

However, the present domestic aeromedical airlift force still uses piston-engined aircraft of limited capacity, range and speed.

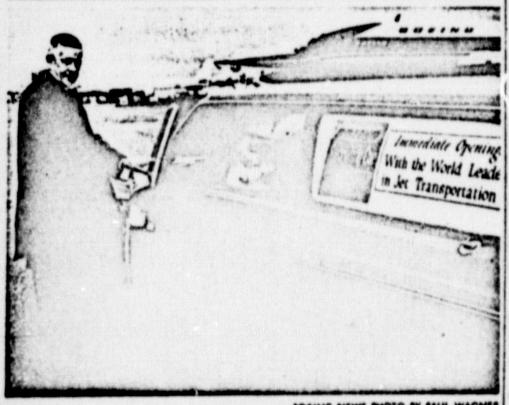
The Boeing study shows the 737 twinjet offers these advantages:

Jetliners are quieter, fly smoother and faster than piston-engined planes. The patients will rest better and be in transit a shorter time.

The 737 cabin is wider and higher than any other comparable airplane. More patients can be carried and more special equipment, more patient comfort and easier access to the patients is possible.

Wing-mounted engines allow more interior cabin length, easier engine maintenance, simpler systems, less structure weight, fewer weight and balance problems, and they allow entry doors both fore and aft.

Because of special high-lift wing devices, the 737 can land on and take off from small, short airfields with heavy loads. It can use any of the 400 airports currently used by domestic aeromedical airplanes. It can land at any field the Air Force chooses. The 737 has its own ground power unit for air-conditioning and starting, and its own automatic stairways.



—BOEING NEWS PHOTO BY PAUL WAGNER

Lynn Morrell and Jobmobile

# 'Jobmobile' to Comb State Seeking Skills for Jetliners

A station wagon bedecked with pictures of the Boeing 727 and SST and signs proclaiming "Immediate Openings With the World Leader in Jet Transportation" is searching for new Boeing employees along the back roads of Washington.

Lynn Morrell, employment representative in 6-1820, is the one-man mobile employment office. He drives, interviews, hires or accepts applications of potential employees.

"I'll travel to small towns throughout the state where there are no U.S. employment offices," Morrell said. "In fact, if need be I'll stop at any wide spot in the road to talk to men and women and see if they'd like to join Boeing."

Morrell said his first junket will take him on the "Olympic Loop" and after that he'll head east of the mountains. "How far I'll go depends upon the response. But we feel there are a lot of skills in the small towns, skills that Boeing can use."

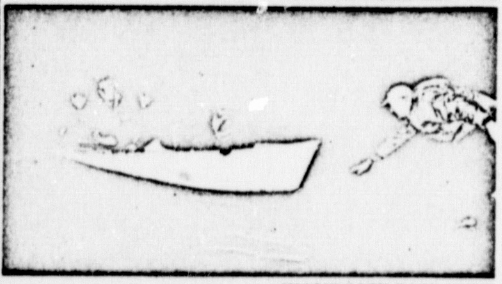
## Lufthansa Orders More 727s, 707s For Dual Service

Lufthansa-German Airlines has ordered five more Boeing 727 trijet transports and three additional very-long-range 707 Intercontinentals, the airline announced today.

The additional 727s will be of the "Quick Change" or QC type, which are convertible from all-passenger to all-cargo configuration in less than 30 minutes. Lufthansa also revealed that five of the earlier announced 727s will be of the QC version, bringing the German carrier's total to 10 of the 727QCs. Fifteen standard 727s already are in service with Lufthansa on routes linking major cities of Europe with the Near East and North Africa.

Two of the new 707s, for delivery this year, will be of the 320B passenger type; one will be a convertible 707-320C and delivered in 1967. Lufthansa also has in service five 707-420s, nine -320Bs and two -320Cs.

First of the 727 QCs will be delivered late this year; the nine additional airplanes will be delivered in 1967.



—BOEING NEWS PHOTO BY BYRON WINGETT

Smith pushes party off on great adventure.

# Alligator Expedition Great Success; All Return Safely

It could have been a simple alligator hunt if Renton were in Florida. But since the city is in the Pacific Northwest the alligator expedition sponsored by the *Boeing News* has received as much publicity locally as when the *New York Herald* sent Henry M. Stanley to find Dr. Livingstone. But there the similarity ends. Where Stanley presumed correctly, we are still looking.

Local newspapers, radio and television stations have sagely but lightly reported the story of the three Boeing firemen who spotted two alligators swimming just 40 feet from the firehouse at Renton. At first the news reports questioned the veracity of the eyewitnesses and finally settled on the note of "wait and see."

But while this was going on Boeing employees volunteered to

*(See EXPEDITION, Page 2)*

✓

# editor's notebook

## Out of the Past

From *Boring News*, December, 1930, a letter from Lysle Wood, of the engineering department, stationed at the Cheyenne, Wyo., operating headquarters of one of the Boeing air transport divisions: "Cheyenne wind is annoying. We use a logging chain for a wind sock. When it stands out straight, flying goes on as usual; but when the links start snapping off, it is customary to keep the ships inside the hangar."

• • •

## Suggestion Round-Up

Employees of General Motors Corporation were paid $9,216,977 last year for turning in 193,873 adopted suggestions — an average of $47.54 per suggestion. GMC's maximum suggestion award was $6,000. General Motors net earnings for last year topped $2 billion.

Boeing employees were paid $431,191 last year for 6,208 accepted suggestions — an average of $69.46 per suggestion. Boeing's maximum award was $5,000. Boeing's net earnings for 1965 were $76,268,000.

• • •

## Ideas for Machinists

Seventy-one suggestions for machinists, mechanics and technicians are contained in a new book released by the National Aeronautics and Space Administration.

The 100-page illustrated publication contains ideas for shop techniques and applications which have been used successfully in space-related research at NASA centers.

Chapters include: Shock Absorbers and Protective Devices, Special Fabrication Techniques, Machining, Metal Forming, Welding and Brazing, Lathe Attachments, Precision Tools, Special Tools, Special Devices and Hoisting.

"Selected Shop Techniques" (NASA SP 5010) may be obtained for 60 cents from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• • •

## Test Your Tax Sense

For TV viewers who like to match wits with the experts, there's yet another "national test" coming up. "The National Income Tax Test" will be an April 5 feature on CBS at 10 pm.

The program concentrates on the most common underpayments, overpayments, omissions and mistakes in filing income tax returns. If you fail the test, expect a call from Treasury.

• • •

## It Runs in the Family

Charlie King, apprenticeship supervisor, reports that apprentices run in the Giboney family. George Giboney Sr., a Renton preflight aircraft and engine mechanic, graduated from the apprenticeship program in 1954. George Jr. shortly will graduate from the machinist apprenticeship program and is now working in the 6-0250 machine shop. Richard, another son, is starting a machinist apprenticeship and now works in the 4-3100 machine shop in the Turbine Division. Charlie also mentioned that about 170 apprentices, apprentice graduates and wives attended the dance at the Norselander Feb. 26. It turned into a recruiting session as the old grads tried to snag some of the new grads for their job areas.

BOEING NEWS

Published each week by
The Public Relations Department
Editors
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Art and Layout, [illegible]

## Retiree Makes News

A recent issue (Feb. 22) of the Western Sun edition of the *Everett Herald* carried a story about Lamoine Tuck, former jig-builder at Boeing. Tuck lost his sight after a series of eye operations two years ago and the story is about his adjustment to a life of darkness. He is 62 years old and now lives in the Monroe area where he is completing the remodeling of a home — a job he started before he lost his sight. Through training he received at the Northwest Regional Rehabilitation Center for the Blind in Seattle, Tuck has made notable progress toward living a productive and almost normal life.

• • •

## Artists Elect Artists

Newly elected officers of the Puget Sound Group of Northwest Painters include, president, Ross Hatte, 2-5800; vice president, David Day, 2-2500.

The Puget Sound Group is composed of prominent Northwest artists. Among the group's activities is a scholarship program for art students.

• • •

## Any Witnesses?

Any witnesses to an automobile accident near Plant 2 on March 3 have been asked to call one of the parties involved. The accident happened at about 7 o'clock in the morning in front of the Pacific National Bank on 16th Ave. S. A white Volkswagen and a 1952 Chevrolet were involved. Witnesses are asked to call Lin on WE 2-4822.

• • •

## Island Golf

Turf Tossers, a Boeing Golf Association league, has beat the problem of crowded courses by moving its play to Vashon Island country club, according to Jim Cook, league president. Not only has the league a place to play without the stringent scheduling necessary at other locations, he said, but it has room for more members. Interested employees may call Cook on Ext. 5-9262 or Paul Griffiths, secretary, on Ext. 5-2501.

### Aerospace Group:

## Is Your Name On This List?

Aerospace Group employees who received suggestion awards in February are:

Donald O. Adams, 2-4012; Richard B. Barrett, 2-4006; Donald R. Blair, 2-4835; Loraine C. Brotzet, 2-4473; Roy S. Brown, 2-6030; Edgar B. Dyington, 2-4683; Duane Cederberg, 2-4100; Wayne A. Cobbs, 2-2312; Marvin C. Cook, 2-5241; Dolores M. Cramer, 2-3674; Margaret A. Culler, 2-1530; Gary D. Denend, 2-1548; Gary Docken, 2-2371; Steven W. Dodge, 2-2340; Larry P. Behrens, 2-4250.

Lewis D. Drohman, 2-1533; Donald W. D'Unger, 2-4855; Fred J. Dunham, 2-4832; Floyd I. Erlandson, 2-4100; Sandra J. Evans, 2-4833; John Felde, 2-4230; Reuben W. Fenner, 2-3020; Harry W. Gerlach, 2-4110; Richard Gievers, 2-2344; Dale T. Gilmore, 2-4210; Vernon D. Graham, 2-4093; Edward G. Gooney, 2-4835; Glenn A. Griffin, 2-4100; Robert L. Hamre, 2-2215; Ruby Y. Hancock, 2-0366; Lilliam M. Harding, 2-4883; Neil T. Hayes, 2-3042.

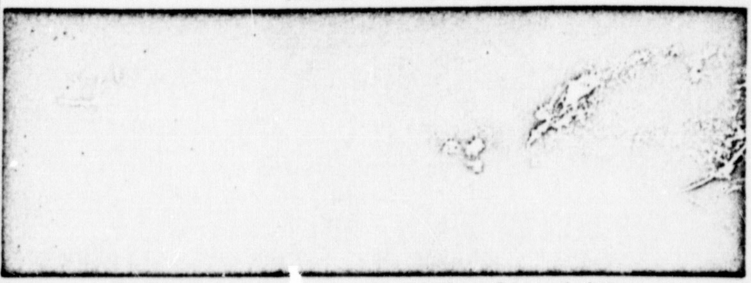
Patricia A. Henke, 2-4417; Sarah E. Hill, 2-2745; Viola B. Hinkle, 2-8010; Robert Howe, 2-2700; Wayne L. Hoover, 2-1549; Gilbert G. Hotchkiss, 2-4851; Clarence Johnson, 2-2243; Larry Kenzley, 2-4443; Ronald R. Kaump, 2-0227; Harold Kloprod, 2-4022; Edward P. Link, 2-6064; Lucy La Loertz, 2-5905; Ronald W. Kinney, 2-0225.

Billie R. Lundrigan, 2-2204; Carol J. Lynch, 2-4833; Mildred A. Lyons, 2-4473; John O. Mohl, 2-2251; Darrell T. McBroom, 2-2251; William R. Mondie, 2-2232; Patricia R. Mullens, 2-2540; Harold J. Nelson, 2-2215; Edna K. Olsen, 2-6070; Roger R. Parent, 2-2266; Garth M. Powell, 2-4006; Jay M. Richey, 2-6512; Robert L. Sayers, 2-4083; Wayne F. Scharnhorst, 2-4093; Charles Schmidt, 2-2201; D. Peter Smith, 2-2243.

Martin L. Squires, 2-4090; Clyde S. Steagall, 2-7290; Clair Taylor, 2-6512; Evan K. Tenney, 2-9022; Anna V. Tully, 2-4470; James L. Ugrin, 2-5261; David F. Vert, 2-3042; Frank D. Walsh, 2-5045; Raymond R. Walters, 2-4000; Lester L. Warriner, 2-4023; C. Gordon Whitaker, 2-3357; Bill G. White, 2-2245; Charles W. Winders, 2-4003; Robert B. Zastrow, 2-6006; Paul E. Ziegler, 2-4009; Walter A. Almberg, 2-4250.

## Expedition Great Success

*(Continued from Page 1)*



Rounding alligator point with three inches of freeboard. Bring on the 'gators.

help back their firemen's stories. "We'll find them," said four experts selected to form the expedition.

Tuesday night these four: George Smith, 2-1830, Gordon Hill, 6-6000, Jesse Cantrell, 6-7000, and By Wingett, 1-1800, accompanied by Frank Vincenzi of the Woodland Park Zoo, Mike McNeeley of the Washington Game Department, and Kay Johnson and Dick Stredicke of Renton went hunting for the Lake Washington reptiles.

Smith, the expedition leader, fashioned a pennant emblazoned with the likeness of an alligator as a guiding symbol for the others to follow.

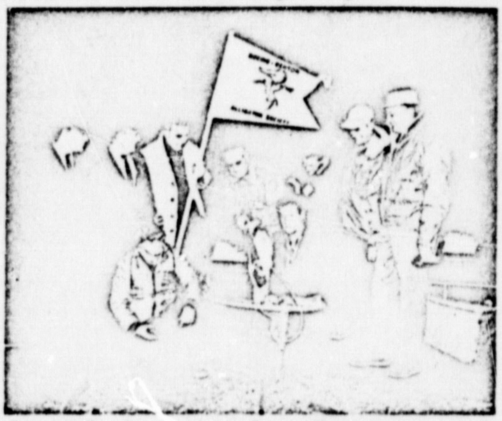
When the time came to cast off and explore the dark waters of the lake, everyone tried for a seat in the boats. The rush was so great that expedition leader Smith got nosed out and stayed on the phone directing activities.

Throughout the hunt, the shore party was in constant radio contact with the intrepid hunters in the boats although all of the messages transmitted and received were the same: "Can you read me? Over."

When the hunters arrived empty handed back at the firehouse, they were asked, "Will you attempt it again?

"Someone has to prove the firemen's claim," was the answer.

Smith, Cantrell and Hill said they'd keep looking.



From left: Tom Barrett and John Tollman (Boeing firemen), Cantrell (squatting), Johnson, Vincenzi, McNeeley, Dick Stredicke (Renton *Enterprise* editor), Smith and Hill on alligator snare practice run.

The expedition was not entirely a failure. It proved that Boeing employees go all out to help one another. It proved that even a unique specialty such as an "alligator hunter" can be found among the 95,000 Boeing employees and lastly it proved that during periods of buildup and expansion—with all the accompanying inconveniences—the Boeing employees can take some time off to explore that which is closer to Earth.

Meanwhile the Boeing firemen have a Polaroid camera in the Renton firehouse and are trained to use it just in case an alligator sticks his head up again out on Lake Washington.

## FROM THE READERS

There you go again. First you decide, unilaterally, that it's "Saturn 5," which it never was, and now it's Apollo-Saturn, with a dash rather than a virgule. More poxes than ever to you.

The people who named the program named it Apollo/Saturn and it seems to me you are taking quite a bit on yourself to change/disregard their decision. Some old-fashioned people hold that a name is what the owner wants it to be, not what his neighbor wants, but in line with your modern thinking/muddling I have just determined that the name of your publication needs improving. From now on its *Boeing#$% News*.

It seems to me I have noticed an odious and growing habit in *Boeing#$%News* lately, a sort of "we'll-save-you-in-spite-of-yourself" attitude. The only other example of this I can think of is historical and was called the Inquisition. I suppose I can expect men in black hoods to come looking for me shortly.

W.C., New Orleans

(Okay, so this time you've got a point. Someone at NASA made a mistake when he put a slash or virgule between Apollo and Saturn to mean a combination of two vehicles. He should have used a hyphen. Since the difference between a hyphen and a slash doesn't interfere with understanding (as does the difference between "Vee" and "5" as in Saturn V and Saturn 5), we'll go along with it. The virgule in Apollo/Saturn was inserted, we assume, in French-speaking New Orleans and that explains a lot. Our French-to-English translator, says that, in French, virgule means "comma." In newspaper headlines a comma stands for the word "and." Every time we see Apollo/Saturn we'll put on our black hood and say a silent "and" for the slash. See how friendly we are?—Editor.)

• • •

*(This letter was received by operations training, Boeing service section—the "Jet College" in Renton.)*

I wanted you to know how very much I appreciated your kindness and helpfulness while I was at the school, and to ask you to please convey my regards and thank you to our instructors, and to Nola.

I am so glad I had the opportunity to go to Renton, not only because of the value of what I learned, but to have also met all the very fine people we did while at school.

Boeing certainly impresses as having a very fine relationship between management and employees, and it is a most interesting experience to visit there.

Aircraft have always been so much a part of my life, and to work on so fine a one as your 727 will add much to the pleasure of not only myself, but to my efforts for my passengers. It is an aircraft that makes you eager to share all its beauty and advantages with the passengers, and to have them as pleased and proud as you are of flying on it.

Yours sincerely,
Pat Molyneaux

(Miss Patricia Molyneaux (pronounced Mol-ee-no) is an instructor stewardess with Wardair of Canada. She attended Boeing's "flight attendant" course Feb. 8-11, 1966. —Editor.)

## RECREATION

**BRIDGE CLUB**—March 25, 7:30 pm, Plant 2 main cafeteria.

**SQUARE DANCE CLUB**—March 25, 8:30 pm, Rainier Yacht Club, 9094 Seward Park S.

**DANCE CLUB**—March 26. Lessons: Beginners, 7:30 pm; advanced, 8:30 pm. Dancing: 9:30 pm, Rainier Beach Community Club, 61st S. at Pilgrim St.

**DOG & GUN CLUB**—Olympic Continental Trapshooting League—March 27, 10:30 am, Seattle Skeet & Trap Club, Redmond, Wash.

**EVENT STAFF—THEATER WORKSHOP**—March 28 and 30, 6 pm, Plant 2, 201 Building theater.

**CHESS CLUB**—March 29, 7:30 pm, Plant 2, main cafeteria.

**ARCHERY ASSOCIATION** — March 30, 7 pm, Missile Production Center Bldg. 55-107 club range.

**ART CLUB**—March 30, 6:30 pm, Burnley Art School, 905 E. Pine.

**CHORALE** — March 30, 7:30 pm, Missile Production Center theater.

**FENCING CLUB** — March 30, 7:30 pm, Rainier Recreation Center, Rainier Ave. S. & Oregon.

**TABLE TENNIS ASSN.**—March 30, 7:30 pm, Rainier Recreation Center, Rainier Ave. S. & Oregon.

**TENNIS CLUB**—Registration meeting, March 30, 7:30 pm, Plant 2 engineering theater.

**CURLING ASSOCIATION** — March 31, 7:30 pm, Bellevue Ice Plaza, 330 112th N.E., Bellevue.

**STAGE BAND**—March 31, 8 pm, Missile Production Center cafeteria.

**TOASTMASTERS** — Mon. through Thurs. For information call Ed Sheets, Ext. 5-5096.

Beckelman, Sanderson and Mrs. R .L. Sanderson, the scholarship-winner's mother.

## Birmingham Lad Wins Boeing Merit Scholarship Award

Reginold R. Sanderson, 18-year-old senior at Holy Family High School in Birmingham, Ala., received a four-year National Achievement Scholarship from The Boeing Company in ceremonies at Huntsville Feb. 17. B. F. Beckelman, Boeing manager at Huntsville, presented the award to Sanderson, an honor student and vice president of his class.

The scholarship carries a value geared to the student's need for assistance, with $250 per year minimum and $1,500 per year maximum over four years.

## Johnston Outlines Boeing's Economic Impact on Florida

Operations of The Boeing Company have widespread impact on the Florida economy, according to A. M. "Tex" Johnston, Boeing Atlantic Test Center director.

Johnston noted the Boeing Atlantic Test Center payroll now averages $1,380,000 monthly and will increase by 1,000 persons during 1966. BATC's Florida purchasing is about a half million dollars yearly, he said.

During 1965, the company placed orders with Florida firms totaling $5,578,058.

More than 60 per cent of the 1,600 Boeing employees at Cape Kennedy were hired in Florida, he said.

Boeing began operations in the Cape Kennedy vicinity during early 1951 on the Bomarc ground-to-air missile.

## Boeing 727C Jet On Military Tour To Show Wares

Boeing's newest production airplane, the 727C, began a two-week tour of six U. S. military airfields Monday, with McGuire Air Force Base, N.J., as its first stop.

The trijet will demonstrate potential Air Force and Navy uses of the 727, and its now-in-production stablemate, the smaller 737 twinjet.

Some of the military applications include domestic aeromedical airlift, short and medium-range re-supply for troops in the field, re-supply of aircraft carriers at sea, medium-range troop and cargo transportation and aerial refueling of fighter jets.

The tour will include McGuire AFB; Norfolk Naval Air Station, Wright-Patterson AFB, Ohio; Scott AFB, Ill.; Randolph AFB, Texas, and Travis AFB, Calif. It will also stop at Washington (D. C.) National Airport.

At each stop, military management and research and development people will be given briefings aboard the plane and will participate in a demonstration flight.

Clair G. Whitney, director of military sales for the Commercial Airplane Division, is directing the tour.

## Off-Hour Classes Set to Start; See Your Training Tips

*Training Tips*, quarterly listing of off-hour courses available to employees in the Greater Seattle area, have been distributed to supervisors and, via *Boeing News* boxes in Renton, to employees.

Some copies of *Training Tips* may still be available at employee information centers. The courses offer a wide range of subjects, technical, business and professional. Most classes begin this week or next.

If you are interested in the opportunities offered through off-hour training, full information is available in *Training Tips*. Your supervisor has a copy.

—BOEING NEWS PHOTO BY VERN RUTLEDGE

Welder Bill Fife hands Bill Panter a crutch to remind him that safety shoes would have prevented the injury to his toe.

## *Put Yourself In His Shoes—Safety Shoes, That Is*

Bill Panter, lead man in the No. 4 autoclave at Plant 2, didn't like safety shoes. Even after he'd bunged up a toe several weeks ago, he still wasn't sold on safety shoes.

He didn't have any special complaint—just a general attitude that the danger to him in his job was negligible and the need for safety shoes remote.

Bill Fife, construction welder in 6-6530, wears safety shoes. More than once he's had materials he was working on fall on those steel toes with no harm done. He hasn't any special interest in safety shoes—just a general attitude that they provide him with a measure of job insurance.

Bill Panter is walking around the job today with a broken toe. A 75-pound roller fell off a rack and landed on his foot.

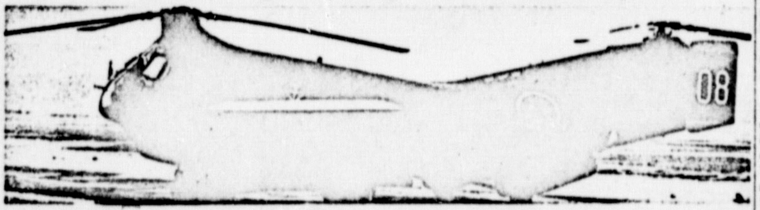
"I told you to get safety shoes," kidded Bill Fife.

"So you said about a dozen times now," groaned Bill Panter. "Okay. I'm convinced. Now I've got to wait until the swelling goes down."

Moral: Don't wait until you fall in the water to buy a life jacket. Don't wait until you've lost control of your car to fasten your seat belt. Don't wait until you crack your skull to get a hard hat. Don't wait until you've smashed your toe to buy safety shoes.

"If I can convince one guy not to make the mistake I did," said Panter, "it will be worth all the kidding I get."

## Swedes Kept in Touch With Wintery World Via Air-Slapping Boeing Vertol Helicopters



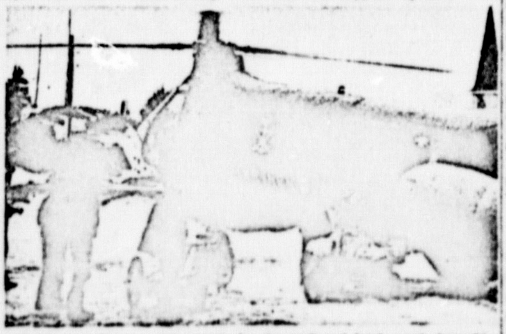
Mail and newspapers are loaded into the Swedish Royal Navy Vertol 44 from a Royal mail van.

Mail was for isolated citizens of islands outside Gothenburg. Food also was supplied by air.

Winter was as hard on the Swedes in Sweden as it was on the Swedes in Minnesota this year. And except for the Swedish Royal Navy's Boeing Vertol helicopters, it might have been a lot worse.

Persons living in the archipelagoes of Stockholm and Gothenburg were completely cut off from the outer world during Scandinavia's most grueling winter since the 19th century. Helicopters broke the isolation, providing the only links between the mainland and the islands. They carried food, newspapers and mail. And those who had to get back to "civilization" got there by a Vertol helicopter lift.

The Stockholm archipelago was served by Vertol 107s; the older Model 44 was used in the Gothenburg operation.



Islanders at Styrsoe wait eagerly for the mail and food supply brought to them by helicopter. Program was routine to veteran pilots.

## Continental Sets Use Record For All Boeing Jets

Continental Airlines Intercontinental Boeing 707-320C convertible passenger-cargo jets, flying a daily average of 15 hours and 46 minutes each, have set a new monthly use record for all Boeing jet airliners.

The airline's four 707-320Cs set the mark flying 1,954 hours and 47 minutes in January. Most of the flying time was logged on Military Airlift Command contract flights between the West Coast and the Orient.

Of the four 707s, the most time was logged by one which flew 503 hours and 4 minutes during the month for an unprecedented average daily use of 16 hours and 14 minutes.

Continental is one of 20 airlines which have ordered 114 Boeing 707-320Cs, 59 of which have been delivered.

The airline received the first of its 707-320Cs in August, 1964. It uses the versatile aircraft in military contract passenger and cargo service, commercial charter passenger service between the United States and Europe and expansion of long-haul domestic service.

## Politics in Suburbs As Well as Two Inplant Classes

Several suburban classes will be among the seven public affairs classes which start the week of March 28.

The suburban locations are at Kent, Mercer Island, Shoreline, Bellevue and Burien. Two inplant classes will be offered at Renton and Plant 2, Seattle.

The public affairs course in practical politics offers instruction and discussion of politics and government. Included are films, guest speakers and student discussion.

For enrollment information, call Ext. 5-1546 (Seattle area) or Ext. 7-5968 (Renton area).

## *Sea Horses Present Cousteau Slides*

The Boeing Employees Skin Diving Club, the "Sea Horses," in conjunction with Leonard Chaiton, of the equipment engineering unit in facilities, will present a program tonight on: (1) Conshell 3, a slide presentation courtesy of Capt. Jacques-Yves Cousteau and Philippe Cousteau, Oceanographic Institute, Monte Carlo, Monaco; (2) a film on fire hazards in oxygen, and (3) a slide presentation on the Hyperbaric Chamber and its use in "man-rating."

In addition, Robert C. Sheats, U.S. Navy, will be a guest speaker. Chief Sheats has 29 years' diving experience, supervised diving operations on SEA LAB 1, was Team 3 leader on SEA LAB 2 and was awarded the Legion of Merit along with Teams 1 and 2 leader, Scott Carpenter. Chief Sheats will discuss his experiences and problems with SEA LAB 1 and SEA LAB 2. He will also discuss the "Needs for SEA LAB 3."

The program will be part of the regular Sea Horse meeting and will be held at the Georgetown Veterans of Foreign Wars Hall, 759 S. Michigan St., Seattle, beginning at 8 pm.

A short business meeting will precede the program.

## BOEING LOG

### DEATHS

LINDQUIST, John H. (Ret.) 2-3912, March 2
HARPER, Wesley W. (Ret.) 2-2970, March 6
McKENZIE, Malcolm (Ret.) 2-4238, March 8
ERICKSON, August L. (Ret.) 2-3100, March 14
KRUSE, Charles (Ret.) 2-4210, March 17
MONSON, Erma (Ret.) 2-4223, March 17
THIEL, Gilbert H. 2-5830, March 18

Connie Stanfield, secretary in 6-4800, is ready to dash to the tennis courts when the clock strikes five. Connie recommends tennis to all Boeing women as a way to keep a trim figure.

## *Cat to Dog: 'I'm So Tough, My Father Is in the Rackets'*

The Boeing Employees Tennis Club will hold its annual registration meeting March 30, 7:30 pm, at the Plant 2 engineering theater. A can of top-quality tennis balls will be given to those who pay their annual dues then. Dues are $3 for an individual or $4 for a family membership.

Membership is open to any Boeing employee, dependent family members, retired company employees, and military, customer, and associate contractor representatives stationed at The Boeing Company.

The Tennis Club offers activity for all ages and skills. For additional information call Jim Madden, AD 2-0925, or the recreation unit, Ext. 7-2665.

## Meetings of Note

A tour of Boeing's space facilities at Kent will highlight the March meeting of the Boeing Employees Systems and Procedures Association.

The meeting will take place on Thursday, March 31, with dinner at the Reef Restaurant in Kent starting at 7 pm and the tour at 9 pm.

For reservations, call Bill Buckley, program chairman, on Ext. 5-4976.

• • •

The Boeing Accounting Activities Association will hold its spring stag meeting at 4:30 pm April 1 at Ye Olde Chuckwagon Smorgasbord, 14101 Pacific Highway South. The smorgasbord will cost each member $3.50. For more information, call J. H. Sundquist, Ext. 5-9061.

• • •

All Boeing bicyclists and their families have been invited to a Boeing Employees Bicycle Club meeting at 8 pm, Monday, March 28, in the [illegible] seminar room, Boeing Scientific Research Laboratories in South Park.

This meeting will determine the future activities of the Bicycle Club. The results of an employee questionnaire on bicycling will be discussed. For further information, call Bill Geer, Ext. 5-3333.

## Grimsby Elected Cerebral Palsy Association Officer

A. Ernest Grimsby, program administrator for management compensation in 1-1101, was reelected assistant vice president of United Cerebral Palsy Association's Pacific Region. The region includes Washington, Oregon, California, Nevada, Arizona and Hawaii.

Grimsby has been interested in work on behalf of the nation's 600,000 cerebral palsied persons for several years. He is a past president and a member of the executive committee of UCP of King County and a vice president of UCP for Washington State.

calling all SECRETARIES
KCTS TV

Although manual skills are a must for secretarial jobs there is another side of the coin which is of even greater importance and more difficult to attain. These are the human skills. In the "Calling All Secretaries" course to be given on Channel 9 at 8:30 every Tuesday and Thursday evening the emphasis will be on the human skills. The 10-session course begins April 5. If you desire more information about "Calling All Secretaries," call Ext. 7-3423.

**CALLING ALL SECRETARIES REGISTRATION**

Name ____________ Soc. Sec. No.

Organization ____________ Mail Stop

Please return to: If you are at the Aerospace Group — MS 11-27; Commercial Airplane Division — MS 94-08.

Charles Schmidt

## Another Teflon Application Wins

February Aerospace man of the month is Charles Schmidt, missile insulation mechanic in 2-2374 at the Missile Production Center. He has been awarded $500 as first payment of a potential award of $1,816 if his suggestion continues to result in the savings now projected.

The suggestion was to spray molds, used to form some rubber parts, with teflon. Previously the molds had been sprayed with a lacquer which performed the "no-stick" job but had to be cleaned from the mold after each operation. The teflon is a permanent "no-stick" coating.

## HOMES FOR SALE

(This listing will be limited to employees assigned or being assigned to field locations who have homes for sale in the Seattle-Renton area. Call Ext. 6-6411, not the Boeing News.)

3 bdrm., $16,600. Breakfast nook, lvg rm., dng rm. comb., daylight bsmt., 2 fireplaces, 1½ bath, stove, refer, carpet, drapes, patio, 2 rockeries, corner lot, 2 blocks from school, 1 block from church, 1 block from Salt Water park. Convenient shopping, sewers. Highline School Dist. City of Kent. 2306 S. 250th. Owner, Robert E. Matthews, in New Orleans. Contact agent Fred Schoner, TR 6-7474

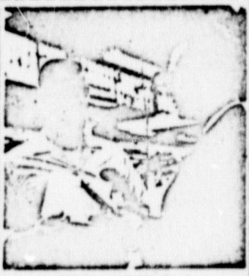
4 bdrm., $22,950 bank appraised. 3-yr old home on level lot, fenced. Daylight bsmt., 2,190 ft of living space, close to 3 schools, hospital, freeway transportation, territorial view from sun deck, B.B.Q., 2 fireplaces, 2 baths, carpets and drapes. Christian C. Schick, 7732 230th S.W., Edmonds, Wash., PR 6-9036

3 bdrm., 1½ baths, rec. rm., 2 fireplaces 1,500 sq. ft., w/w carpet, drapes. $20,000. 10036 N.E. 20th Place, Bellevue. Richard [illegible], TA 2-[illegible]

3 bdrm., 2 fireplaces, rec. room 20x22, dining room, 1,000 sq. ft. w/w carpet and drapes. $17,500. 19030 19th N.W., Seattle. Contact Mrs. A. M. Olson, SU 2-4391

3 bdrm rambler, $17,650. Double garage, built-in kitchen, 2 baths, w/w carpet. 12126 S.E. 70th, Renton. Dale J. Spooker, CH 2-1007

3 bdrm., $23,[illegible]. Two baths, 2 fireplaces, w/w carpet, drapes, dishwasher, garage, rec room, [illegible], fenced yard. 2300 S. 116th, Seattle. Dale J. Spooker, CH 2-1007


Wilson and Hayford

## Question: 'Is This Trip Necessary?'

Harold Wilson, precision machinist, is Turbine Division suggestion system man of the month for February with an idea that saves steps for machine operators.

He suggested distributing broken tool report blanks to supervisors. Machinists now pick up a blank from their supervisor instead of making a trip to the tool room for the blank and then returning for their supervisor's signature before being issued a new tool. In photo, Wilson, left, describes his idea to Harley Hayford, research and development manufacturing superintendent.

Al Wilson of Turbine Division shows his snubber idea.

## Turbiner Designs New 707 Snubber

Al Wilson, gear box assembly supervisor, is the February man of the month in the Turbine Division's management proposal program.

Wilson's proposal: to redesign snubbers on a 707 ball-screw assembly.

Besides cutting the cost of an assembly by $660, the simplified snubber eliminates assembly fitup problems, makes the assembly much easier to install aboard the aircraft and reduces aircraft weight by six pounds.

## Regional Bridge Winners Off On Trip To Chicago

S. Wayne Hollingsworth, 6-7863, associate research engineer, and Robert L. Palmer, 6-9737, supervisor, have been declared winners of the Region 7 bridge tournament of the National Industrial Recreation Association. They will receive an expense-paid-trip to Chicago to play in the finals of the 1966 NIRA bridge tournament.

The winning Boeing pair are scheduled to leave Seattle tomorrow night. The three final matches against winning pairs from other regions will be played at 1 pm and 7 pm March 26 and at 11 am March 27.

The winners will receive their choice of a 13-day "Travel With Goren" Caribbean bridge cruise in January, 1967, or an expense-paid trip to the American Contract Bridge spring nationals.

## Dogs, Owners Brave Weather At Field Trials

In spite of bad weather, almost 50 dogs of all types showed up for the field trials last Sunday at Pepper Ranch.

Following are the winners in the different groups:

Novice Pointing Dogs—Bernie Turner, 1st; Royer Wyrick, 2nd; Cliff Perry, 3rd; Jack Sanford, 4th.

All-Age Pointing Dogs—Ed McGaughey, 1st; Don Yockey, 2nd; Curt Johnson, 3rd; Fritz Pflugholt, 4th.

Spaniels—Frank Waterworth, 1st; Don Dokken, 2nd; C. Cleveland, 3rd; Jeff Shogren, 4th.

Novice Retrievers—Scott Edson,* 1st; Roger Hanson, 2nd; Scott Edson,* 3rd; 4th, not awarded.

All-Age Retrievers—Steve Frye,* 1st; George Schwen, 2nd; George Reed, 3rd; Steve Frye,* 4th.

*Entered two dogs.

## Speechcraft Class Completed by 11

An eight-week speechcraft course encompassing the principles of good public speaking was completed last night (March 23) by 11 Renton Boeing employees, according to Ted Montemayor, 6-7000, in charge of the course. The course was sponsored by SEA-REN Toastmasters 1994.

Those completing the course represented a cross-section of the departments at Boeing Renton. They include Riley C. Broomfield, 6-4800; Edwin R. Burke, 6-3730; Lee P. Houghton, 6-0710; Rup C. Jain, 6-7000; Paul Loyie, 6-4800; C. L. Scotvold, 6-6216; James R. Skeem, 6-4550; Martha Smith, 6-3230; Ed Thompson, 6-2450; Robert L. Wilson, 3-7000, and Ralph Winter, 6-7000.

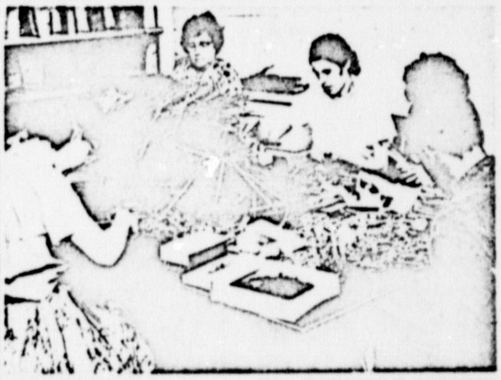
## T-Masters Install Six New Officers

Sweptwing Toastmaster Club No. 52 installed six new officers at their March 14 Toastmasters meeting. The new club officers are Robert R. Jensen, 6-7000, president; Douglas J. Brandner, 6-7000, administrative vice president; Howard E. Blakely, 6-4550, educational vice president; Benson E. Peterson, 6-1830, secretary; Jan N. DeJong, 6-4510, treasurer, and Michael E. Beard, 6-7000, sergeant at arms.

### Boeing Table Tennis Four Finish in Second Division

The Seattle invitational table tennis tournament March 19 saw Bobby Fields of Bellevue winning the Northwest championship by the narrowest of margins over Larry Lee of Vancouver, B.C.

Bill Leishman, 2-4897, Boeing champ, finished sixth; Bill Rapp, 2-4510, seventh; Earl Adams, 2-9000, tenth, and Fred Taketa, 2-4556, finished eleventh.

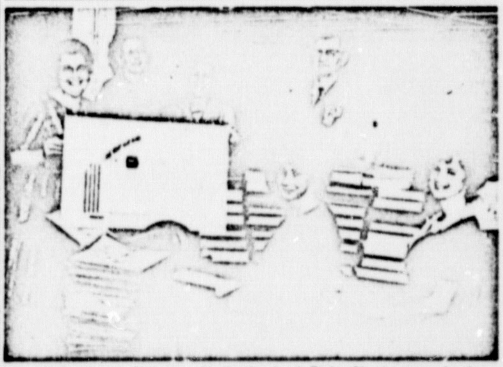


## Used Stationery Items Refurbished By Handicapped

The Commercial Airplane Division's Conservation Committee has arranged a program for collecting used and surplus stationery items throughout the division. The items will be sorted by handicapped men and women and usable supplies returned to stock. Employees are requested to return all used stationery supplies, such as pencils, mixed paper clips, rubber bands, obsolete forms, used folders to the nearest supply counter and place them in the designated boxes. The supplies will be collected at the Auburn warehouse and then sent to a handicapped center for sorting.

Conservation Committee members have noticed the recent increase in the usage of stationery supplies and urge every user to practice cost savings in his daily work. "Our 1965 usage of stationery supplies averaged $249 per user in the Commercial Airplane Division, an increase of 277 per cent over the 1964 average of $66 per user," states John Oliger, finance committee member, who compiled the usage figures. "This is over $1 per day for every office employee using paper, pencils, rubber bands, paper clips and scratch pads," he added.

From these collection boxes to a handicap center, the used office supplies will give many handicapped people a chance to be productive and at the same time allow Boeing employees to practice conservation.


From left: Maxine Simonds, duplicating lead; Elaine Norris, group leader; "Ernie" Moses, typing lead; Bob McNerney, supervisor, and seated, Jean Smith and Cathy Maynard.

## Production Orders Doubled

The 6-4550 production control typing and duplicating group produced 8,400 orders last week.

This achieved the goal set in their Pride-in-Excellence performance chart. The weekly average in December was about 3,900 orders. The group pictured here is representative of the organization which achieved this output.

### Patent Group Elects Orlob

Glenn Orlob, patent administrator for The Boeing Company, has been elected to the 1966 board of directors of the Manufacturers Aircraft Association.

Orlob joins 14 other representatives of the aircraft industry on the board. The election was held in New York City March 8. The Manufacturers Aircraft Association administers the patent cross-licensing agreement for the airplane industry in the United States.

## Poisonous Plants Reviewed in Book

This is Poison Prevention Week. Guilds of the Children's Orthopedic Hospital and Medical Center will once again this year be selling their brochure, "Poisonous Plants of the Pacific Northwest."

The brochure identifies, in color, the 10 most poisonous plants or fungi of this region, the coastal area west of the Cascades. In addition, 24 less poisonous but dangerous plants are also described in detail. Emergency telephone numbers of the poison control centers of Washington are prominently displayed.

The brochure is available in drugstores and supermarkets or at the Children's Orthopedic Hospital.

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BOEING

# MANAGEMENT INFORMATION

**FROM THE OFFICE OF MANAGEMENT AND EMPLOYEE COMMUNICATION**

**Headquarters Offices • March 16, 1966**

## IMPORTANT FEDERAL COURT DECISION REGARDING UNION FINES FOR CROSSING PICKET LINES

On March 11, 1966, after a second hearing, the Federal Appellate Court in Chicago (U. S. Circuit Court of Appeals for the Seventh Circuit) issued a decision of considerable importance in regard to whether a union can fine its members for crossing a picket line. On that date, the Court reversed its previous ruling and held that the action taken by the union against employees of the Allis-Chalmers Manufacturing Company who crossed the picket line during a strike was illegal and a violation of the National Labor Relations Act. Following are some excerpts from the Associated Press report:

> "The seven-man court, in a 4-3 decision, reversed a previous finding in September 1965 by three of its judges that unions have the privilege of fining line crossers.
>
> "The majority opinion, written by Judge Win G. Knock, stated: 'All the protections which Congress has seen fit to throw about the union members operate to diminish the authority and power of the union to police its members by coercion and to that degree impose on the union the burden of achieving its ends by persuasion, rather than by penal exaction.' "

The dissenting opinion expressed the view that union membership is voluntary and not compulsory and that an employee should not be allowed to identify himself with a union for collective bargaining purposes and at the same time claim the right to belong to it on his own terms. The union involved was U. A. W. and certain of its locals.

## MISSILE & INFORMATION SYSTEMS DIVISION

R. A. Montgomery has been appointed assistant Division manager — Plans and Programs and Oliver C. Boileau has been appointed

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## MISSILE & INFORMATION SYSTEMS DIVISION (continued)

Systems Development manager. Both report to Robert H. Jewett, vice president — Division general manager. Boileau's appointment represents consolidation of the systems development activities of the Military Systems and Offense Systems Development organizations.

## BEGNF DRIVE HEAD NAMED

Albert A. Soderquist has been appointed general chairman of the 1966 Boeing Employees Good Neighbor Fund campaign. Soderquist, formerly with the Aerospace Group, now is with the Commercial Airplane Division's Engineering Services organization. He will start immediately to form the team required to carry out the membership campaign in the fall.

## OPTIONS ON COMPANY BONDS

The company has given formal notice of redemption of its $4\frac{1}{2}$% Convertible Subordinated Debentures. Bondholders have three options and deadlines; in brief they are:

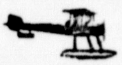
| | |
|---|---|
| By March 24... | Sell the bonds. The market value of each $100 bond is about twice that of a share of Boeing common stock: i.e., approximately $280. (It is recommended that the bonds be delivered to the broker by March 24 to assure adequate processing time.) Or, |
| By March 29... | Convert the bonds to Boeing common stock. Two shares of stock (about $280 market value) would be exchanged for each $100 bond. (The Trustee in New York must receive the bonds by March 29.) Or, |
| By April 8 ... | Redeem the bonds for cash. The redemption price for each $100 bond is $103.25. |

The closing price of the Boeing debentures on March 15 was $278.50 and on Boeing stock, $139.50. Debenture holders who wish to convert or redeem them should have their bank or broker forward them to the Trustee: The Chase Manhattan Bank N.A., (Corporate Agency Department) 80 Pine Street, New York, New York 10015.

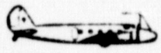
Employees who hold these bonds may direct questions to the Corporate Treasurer's Office, Organization 1-9500, Mail Stop 10-20; Telephone 656-2608.

BOEING ANNUAL REPORT 1965

## THE FIRST FIFTY YEARS



B & W



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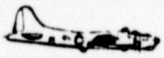
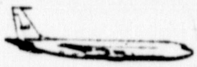


B-17



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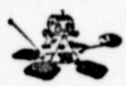

LUNAR ORBITER

*On July 15, 1966 The Boeing Company will observe its fiftieth anniversary. It is difficult to conceive any other half century in man's history more stimulating, challenging and rewarding than the span from 1916 to 1966. In those fifty years man's scientific and technological progress has surpassed the total of such advancement in all previous history, and Boeing is proud to have played a leading role in that fantastic acceleration.*

*In 1916, 21 Boeing people worked in a shop area of 10,000 square feet to produce an airplane capable of flying 75 miles an hour with its 125 horsepower engine. At the half-century more than 110,000 people, working in plants aggregating 25 million square feet, are designing, developing, managing and manufacturing products which carry passengers at 600 miles an hour, others which will speed to 25,000 miles an hour to escape into space, and still another supplying the rough equivalent of 160 million horsepower in a single booster in flight.*

*Each of Boeing's five decades has its symbolic representative product: The B & W, the infant company's first plane; the Model 247, first of the modern air liners; the B-17, ready, because the Company foresaw a need, for its yeoman service in World War II; the 707, first American jetliner and still world leader; and Lunar Orbiter, exotic camera-carrying unmanned spacecraft readying for first launch near the end of the fifth decade.*

*These are symbols only. No record could ignore the other products—trainers, fighters, mail planes, bombers, transports, tankers, pilotless aircraft, helicopters, intercontinental ballistic missiles, giant space boosters—more than 100 separate production models resulting from minds tuned always to the future. There is a moment now for a proud glance at the past and a rededication to the next fifty years, and the next, and the next....*

# BOEING ANNUAL REPORT 1965

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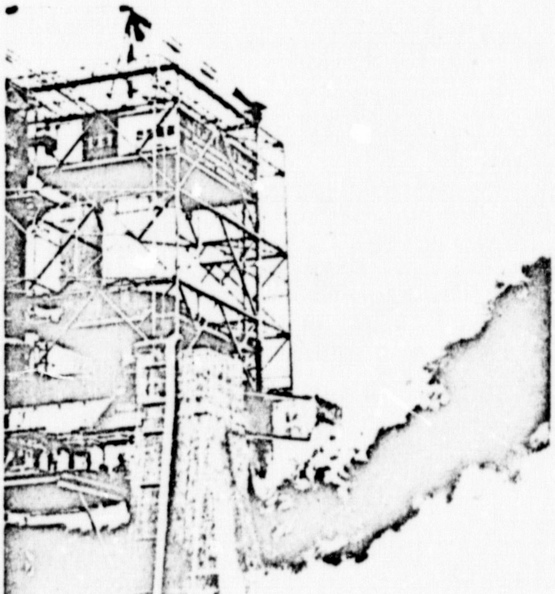


*Test firing of S-1C first stage Saturn V Booster*

Annual meeting of Boeing stockholders will be held at the offices of the Company, Seattle, Washington on April [illegible], 1966. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about March 25.

## HIGHLIGHTS

| | *1965* | *1964* |
|---|---|---|
| **Sales** | $2,023,402,000 | $1,969,487,000 |
| **Net earnings** | 78,268,000 | 45,324,000 |
| **Dividends paid** | 20,256,000 | 16,048,000 |
| **Net earnings per share** | $9.56 | $5.64 |
| **Dividends paid per share** | 2.50 | 2.00 |
| **Per cent net earnings to sales** | 3.9% | 2.3% |
| **Shares outstanding at year end** | 8,187,140 | 8,036,986 |
| **Book value per share** | $45.41 | $38.13 |
| **Salaries and wages** | $813,136,000 | $758,475,000 |
| **Average number of employees** | 93,400 | 90,900 |
| **Additions to property, plant and equipment** | $67,800,000 | $33,600,000 |
| **Depreciation and amortization of property, plant and equipment** | 25,489,000 | 24,667,000 |

## PRESIDENT'S REVIEW AND OUTLOOK

*William M. Allen*

To the Stockholders:

The concluding sentence of the 1964 letter to stockholders stated: "1965 will be a challenging and, we believe, a rewarding year for The Boeing Company." Gross sales of $2,023 million and net earnings of $78.3 million establish that it was a financially rewarding year. Both figures surpass those of any previous year in the Company's history.

While the rewards were encouraging, the challenges, too, materialized and they continue into 1966. On the one hand there was and is the challenge resulting from failure to win certain competitions toward which substantial effort had been devoted. Although it is recognized that no company can win every endeavor, and that our competition has never been more keen, nevertheless we are determined to exert our very best efforts in those competitions in which we are now engaged or may enter in the future.

On the other hand we face the challenge to our productive effort posed by business already at hand, demands resulting from the increased tempo of military activity and the unprecedented and continuing growth of commercial air transport with the resulting expansion of airline equipment needs.

In the military field a 100 per cent increase over the planned production rate of both the Marine Corps "Sea Knight" and the Army "Chinook" helicopters was ordered in mid-1965 by the Department of Defense. A still further increase in Chinook production is being implemented. This has required new production facilities and an increase in employment at the Company's Morton, Pennsylvania, plant.

Minuteman I deliveries and installations were completed during the year and similar efforts begun on Minuteman II. Production of two test vehicles in the Saturn V booster program has been completed. An extensive test program on the Lunar Orbiter spacecraft was begun during the year. First launch, from Cape Kennedy, is scheduled for mid-1966. All three of these programs are on schedule and demonstrate the Company's versatility in missile and space technology.

In the commercial field orders for 418 jet aircraft were received in 1965 and 13 new airlines were added as customers. We are committed to the delivery of 252 commercial airliners during 1966. The 737 short-range jetliner will roll out late in the year. While an extended body version of the 707 is not currently being actively promoted, a longer body 727 has been offered and sales made. Extensive study has been made of an aircraft substantially larger than the 707, and a growing interest in it has been evidenced by those airlines which require a future large volume transport. The project has been given the designation 747 and decision in regard to it will be made in the near future. In addition there is every reason to anticipate a continuing demand for 707s, 720s, 727s and 737s.

To meet these firm and anticipated orders and to improve our capability in the commercial field, a substantial expansion of facilities was authorized during the year. Among the major projects are new final assembly buildings at both the Seattle and Renton plants, a new central fabrication facility to serve both plants, and new laboratory and office buildings.

In addition, authorization was given for enlarging the facilities of the Boeing Space Center, thus further increasing the Company's capabilities in its efforts to obtain and perform additional space age business.

During 1965, $165 million was authorized for facilities expansion projects and it is anticipated that in excess of this amount will be authorized in 1966.

Paralleling the facilities expansion is the growing need for manpower, particularly in the technical and skilled areas. Employment increased by some 14,000 during 1965 and further substantial increases will be required in 1966.

A decision to phase out our gas turbine engine production operations over the next several years was made at the end of 1965 following detailed studies. It was felt that the manpower and financial resources required for full development of the turbine market potential would better be devoted to meeting the increasing demands of the Company's other business areas. The Company will fulfill the commitments of the substantial backlog of turbine business presently in hand and will support equipment in service as long as required.

A determined effort is being extended to increase our proportion of available military and space business. Boeing management, skills and know-how, coupled with excellent facilities, can contribute as much or more in the future as they have in the past to military requirements and space objectives.

An area of major interest is the Supersonic Transport competition in which the Company is one of two finalists for the airframe portion of the project. Present schedules call for a decision by the end of 1966. While the SST poses major problems in achieving the degree of reliability and economy of operation deemed essential, our design and engineering team made good progress in these areas during the year.

At year end no new proposal as to the extent to which the government would participate in the program had been made public. The magnitude of the undertaking is so great that it is beyond the resources of the prospective builders. Substantial government participation, to be recovered from eventual sales, is required to protect this nation's leadership in world-wide air transportation.

It is gratifying to be able to report that the backlog of firm orders and contracts as of December 31, 1965 was $3,148 million. Contributing to the significant increase over the previous year's level were the orders for 418 commercial jet airliners announced during the year.

Looking to the future, increasingly heavy investments for plant and equipment and other requirements will be necessary to meet the demand for commercial jet transports and military helicopters and to provide the resources necessary to support current and prospective missile, space and military aircraft programs. Such investments are of such magnitude that a financing program involving some equity may be desirable. This matter is discussed further in the financial sections of the report.

With increased commercial jet transport deliveries scheduled, helicopter production doubled, and the other major company programs on a profitable basis, sales and earnings should remain at a relatively high level for the coming year. Your management, however, finds no ground for complacency in its improved earnings position. It should be recognized that our high volume of commercial sales is due, to a considerable extent, to the rapid growth in air travel. While it is confidently expected that growth will continue, the rate of growth is dependent upon various factors which cannot be accurately predicted.

Competition for both commercial and government business is most intense. In the international field we find ourselves in competition with companies which are either nationally owned or subsidized. Domestically the number of companies competing for government business in the aerospace field has increased sharply.

It has always been our position, however, that competition makes for a better product and a more aggressive company. As in previous years, we welcome the challenge of competition, aware of the extra effort and dedication required to meet it.

*President*

February 28, 1966

## MILITARY PROGRAMS

*Minuteman II Test Firing*

By the end of 1965, 800 Minuteman I intercontinental ballistic missiles had been installed ready for instant reaction, and the Company was starting delivery of an advanced version of the missile—Minuteman II. Under present Air Force plans, the Strategic Air Command will ultimately have a total Minuteman II force of 1,000 missiles as the new, more powerful and accurate type replaces the original version in the silos. Flight tests of the advanced missile, utilizing the complete operational system, had been successfully completed by year-end.

Wichita has a continuing responsibility for fleet support of the B-52 accented by use of the B-52 in bombing runs over Viet Nam. More than 250 aircraft of the fleet will be maintained as a vital force.

The United States Army's Boeing "Chinook" helicopter had its baptism of fire in Viet Nam during 1965 and has been highly praised for its reliability by service commands. Also in fleet service in the South China Sea and the Mediterranean is the Navy's vertical replenishment version of the "Sea Knight." A 100 per cent increase over the planned production rate of both the "Chinook" and the Marine Corps "Sea Knight" helicopters "to meet increased military needs" was ordered by the Department of Defense during the year. An armed and armored version of the "Chinook," developed under an Army order, has been delivered for tests.

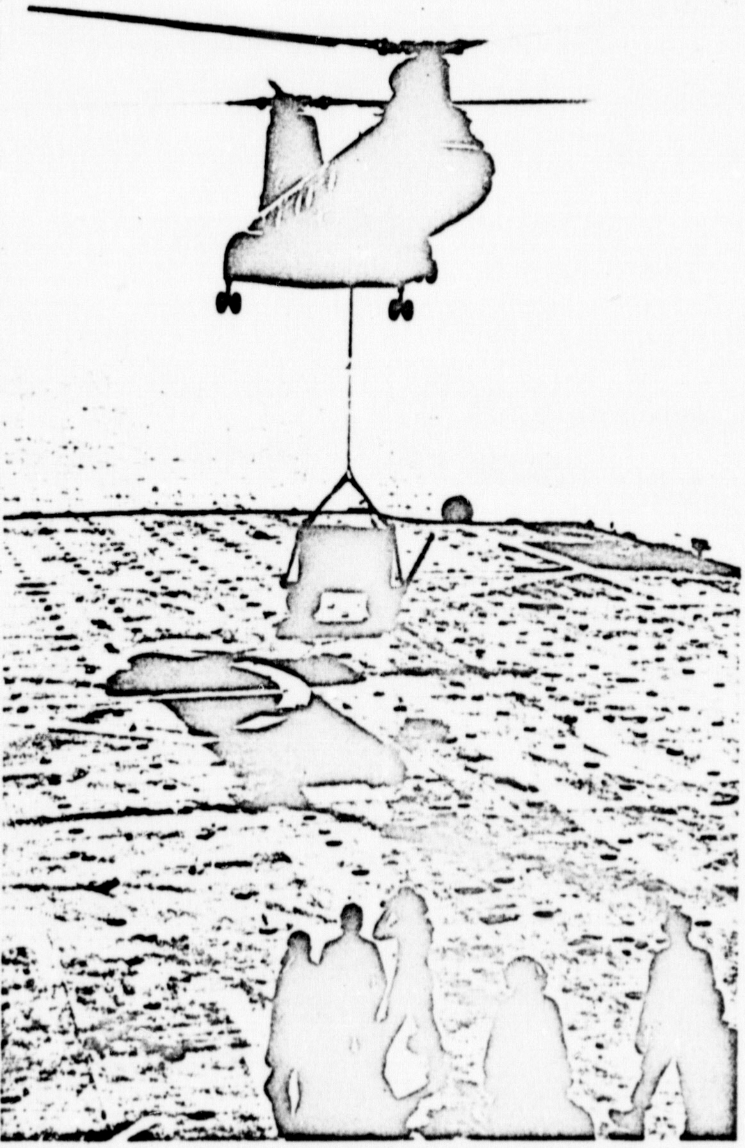
The Company has received a contract from the Air Force for development of a highly reliable, low-cost upper stage for use atop Thor standard launch vehicles for placing small- and medium-sized payloads in orbit. Named "Burner II" the solid fuel stages could be modified for use with other boost systems. Although the initial contract is for a limited number of vehicles, additional orders are under active consideration by the Air Force and other customers.

The HiBEX test program, for which the Company was prime contractor, was successfully concluded during the year. HiBEX is a high acceleration experimental booster designed to study problems connected with an advanced interceptor missile concept for the Army.

A proposal to build hydrofoil patrol gunboats for the U.S. Navy was submitted during the year. Early in 1966 the Company was awarded a fixed price contract to build a prototype powered by a water pump jet propulsion system.

In a competition of major significance, the Company has placed strong effort behind its proposal for the development of a short-range attack missile (SRAM) for the Air Force. One other company remains in the competition and a decision in the late summer of 1966 is anticipated. The missile is designed for delivery of warheads from bombers to strategic targets. SRAM may carry either conventional explosive or nuclear armament.

Study efforts continue on new military aircraft systems including VTOL fighters, airborne warning and control airplanes and small vertical takeoff personnel transports.



*Sea Knight helicopter in vertical supply role*

## INTERNATIONAL

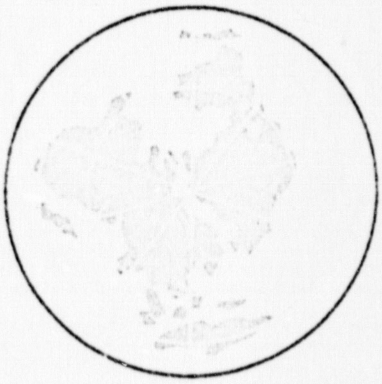
Boeing International Corporation, the Company's international arm, has three principal tasks.

First, it seeks business opportunities abroad.

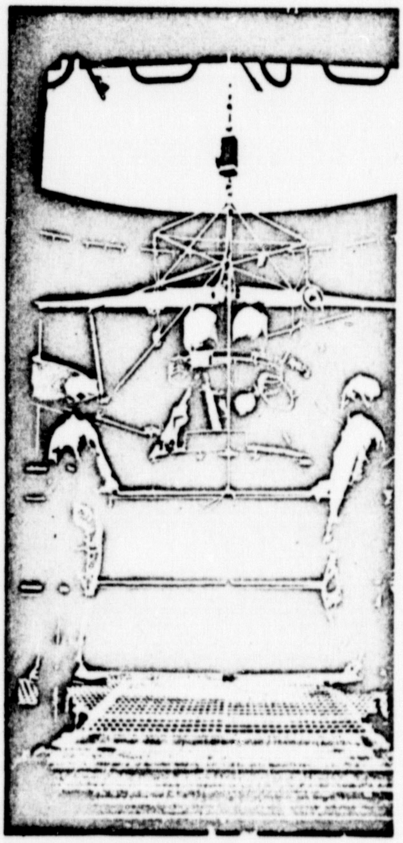
Second, when Boeing capital has been invested, BIC is assigned the general surveillance responsibility for the Company.

The third task is BIC's responsibility for maintaining Boeing offices in a number of foreign locations including Paris, Munich, Bad Godesberg, London and Tokyo and business consultants in Canada, the United Kingdom, France, Germany, Italy, Sweden, India, Pakistan, Thailand, Brazil and the Philippines.

Boeing of Canada, Ltd., reporting to the Vertol Division, has a small maintenance facility for helicopters at Arnprior, Ontario. The Commercial Airplane Division maintains a sales office in Geneva.



## SPACE PROGRAMS



*Lunar Orbiter spacecraft enters space simulation chamber for its first environmental exposure test*

The Company's two major space assignments under contract with the National Aeronautics and Space Administration moved to first delivery during 1965.

A primary test version of the first stage booster for the Saturn V launch vehicle was assembled by NASA with Boeing-supplied parts. A subsequent series of tests culminated in a full-thrust, full-duration firing which was accomplished successfully. The Saturn V rocket will launch the Apollo manned spacecraft to the moon and, later, other vehicles for space exploration.

At the Michoud, Louisiana, plant where major work on the Saturn booster is carried on, the first vehicle was completed and delivered and the second has been assembled and is undergoing checkout prior to delivery to Cape Kennedy. Three other vehicles have been assembled by NASA at Huntsville, Alabama, with parts supplied by Boeing. Fabrication and tooling work is continuing at Wichita in support of the Saturn program.

The Company center at Huntsville, working with and providing the Marshall Space Flight Center engineering support on the booster project, is also charged with guiding the Company's systems integration support to NASA for the entire Saturn V Apollo launch vehicle. Under this contract, Boeing is responsible for systems engineering, integration and ground support engineering and testing for Saturn V.

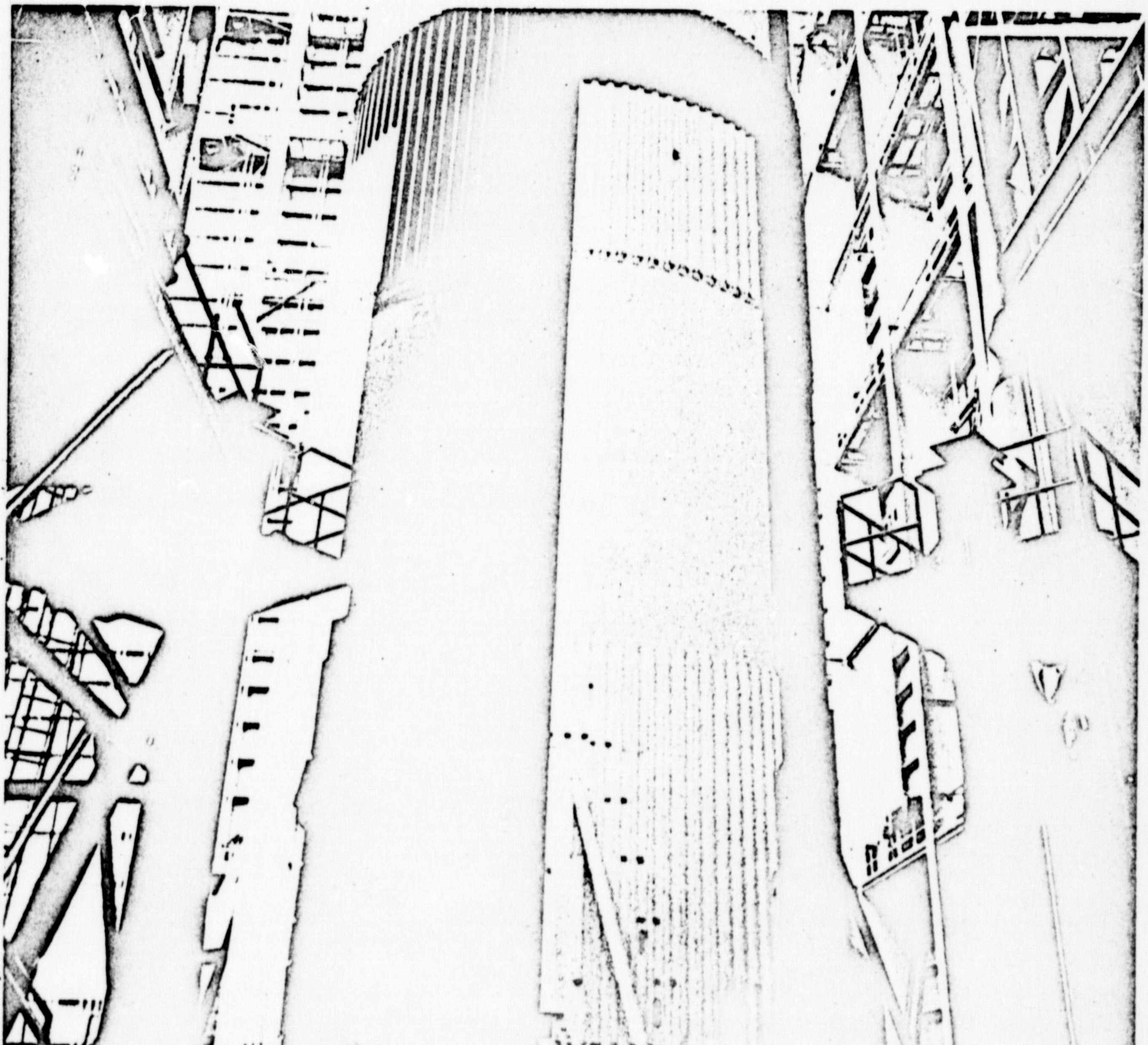
Closely related to the Apollo moon landing project is the Company's Lunar Orbiter program under which unmanned space vehicles will be placed in close moon-orbit. From this path they will relay to earth high resolution photographs of the lunar surface. By the end of 1965 the three ground test models had been completed for performance demonstration tests, and the first of five flight units had been completed and was being readied for flight acceptance test. First moon-orbital flight is scheduled in mid-1966.

The Company's role in the Lunar Orbiter program includes major responsibility for supporting mission operations and data acquisition. Boeing employees are located at space stations in Australia, Spain and California. In addition, Boeing will help man the space flight operations facility at Pasadena during missions.

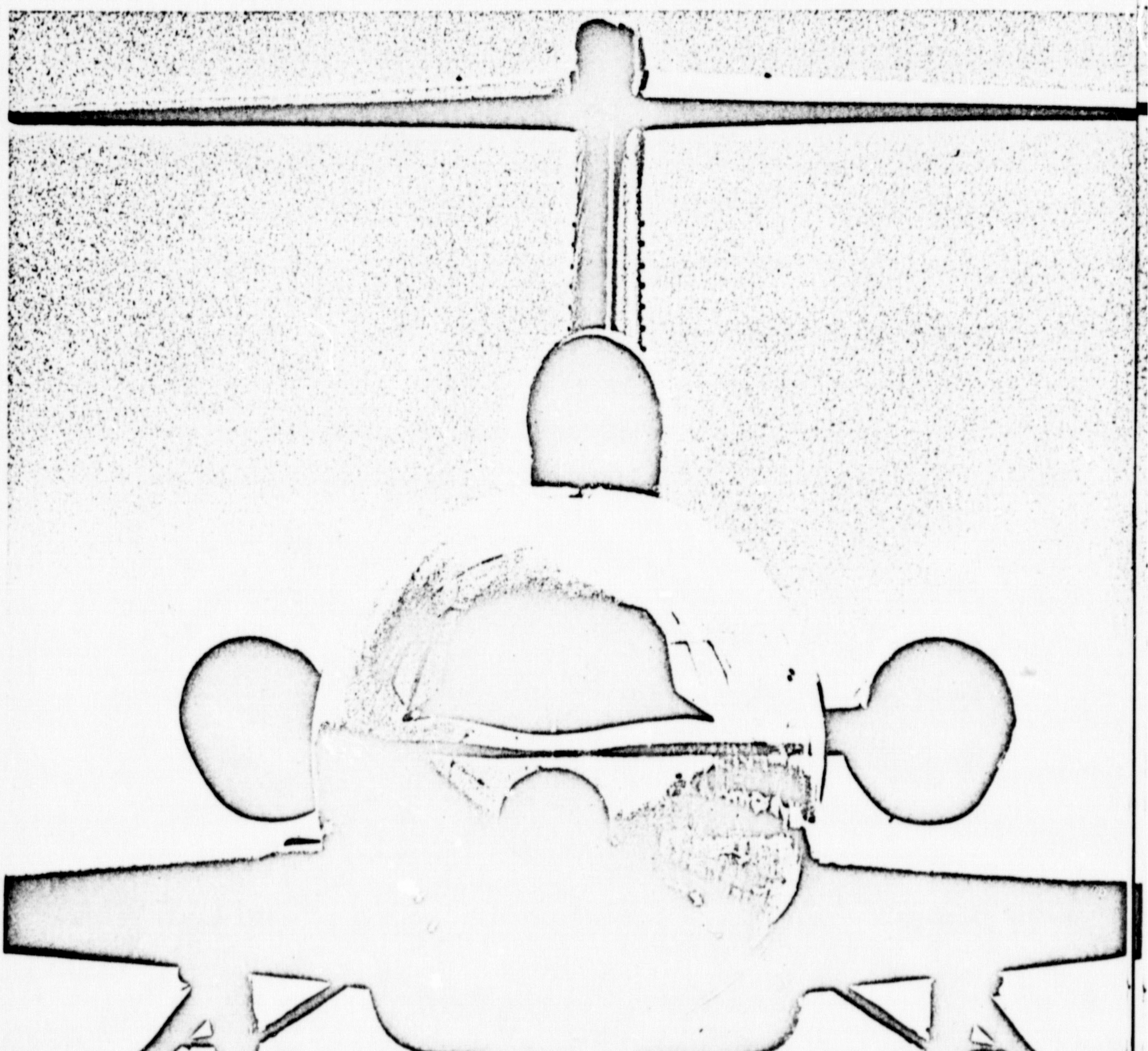
The Company has competed vigorously for NASA's Voyager award. The program is directed at exploration of the planets with particular emphasis on Mars. Late in 1965, NASA announced it was deferring the first Voyager mission until 1973. However, the Company's interest in the Mars exploration program continues.

Under study contracts, the Company is investigating the effects of prolonged radiation on materials and is developing competitively a Lunar Scientific Survey Module, a small, six-wheeled vehicle to transport astronauts on the surface of the moon. A related study project completed in 1965 involved a larger moon vehicle called the Mobile Lunar Laboratory. Other studies include methods of recovery and re-use of booster elements, space mission support requirements and future space booster configurations. Investigations are continuing into the projects associated with post-Apollo missions.

The Boeing Space Center at Kent, Washington, dedicated during 1965 and expansion of which has been authorized, is contributing to the performance of the Company's current space activities and to its efforts to obtain other space business.



*Giant first stage booster for Saturn V dwarfs handlers*



*At year-end, 727s had flown 10 billion passenger/miles*

## COMMERCIAL AIRCRAFT

In 1965, for the second successive year, both new orders and deliveries of Boeing jetliners exceeded previous records. Announced orders during the period totaled 418 while 172 airliners were delivered. Since the start of the commercial jet program, 1113 planes had been ordered by year end 1965, of which 668 had been delivered.

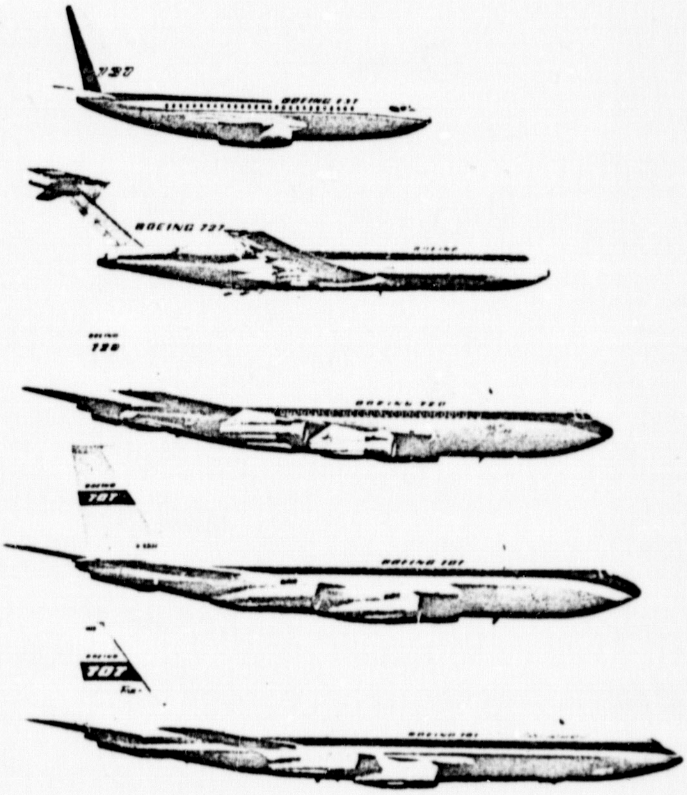
*The Jetliner Year*

| *Model* | *Orders* | *Deliveries* |
|---|---|---|
| 707-120B | 46 | 4 |
| 707-320B | 25 | 24 |
| 707-320C | 57 | 24 |
| 720B | 7 | 9 |
| 727 | 197 | 111 |
| 737 | 86 | — |
| Totals | 418 | 172 |

During the year the largest single commitment for commercial jet airliners in history—144 planes—was placed by United Air Lines. Of the total, 130 were Boeing airplanes—75 firm orders, 30 aircraft on option and 25 on lease. The firm orders included 40 of the new Model 737 twin-jet in the extended body "200" version. This order, following the initial German Lufthansa purchase of 21 737s gave the newly announced twin-engine, short-range jetliner a strong start. By year-end, six airlines had ordered 86 of the 737s, and of these, three held options for 43 more.

Demand for the 727 tri-jet continued high with 197 ordered in various configurations. The long-bodied version, introduced during the year, proved very popular with the airlines. It is particularly adaptable to shorter, high-density routes.

An unfortunate series of accidents involving the 727 late in the year, with erroneous assumptions in certain segments of the press as to cause, resulted in some concern among the traveling public. The



## STOCKHOLDERS' AIRLINE GUIDE

**The following Airlines now fly Boeing jets**
... and these Airlines will be introducing Boeing jet service soon

AIR ASIA
**AIR CONGO**
**AIR FRANCE**
**AIR INDIA**
**AIR MADAGASCAR**
ALASKA
**ALL NIPPON**
**AMERICAN**
AMERICAN FLYERS
**ANSETT-ANA**
ARGENTINAS
**AVIANCA**
**BOAC**
**BOAC-CUNARD**
BRAATHENS
**BRANIFF**
**BWIA (WEST INDIES)**
CALEDONIAN
**CONDOR**
**CONTINENTAL**

**EASTERN**
**EL AL ISRAEL**
**ETHIOPIAN**
**FLYING TIGER**
FRONTIER
**INDIAN**
**IRAN**
**IRISH**
**JAPAN**
JAPAN DOMESTIC
**LUFTHANSA**
MEXICANA
**NATIONAL**
**NORTHEAST**
NORTHERN CONSOLIDATED
**NORTHWEST**
OLYMPIC
PACIFIC
**PACIFIC NORTHERN**
**PACIFIC SOUTHWEST**

**PAKISTAN**
**PAN AMERICAN**
PIEDMONT
**QANTAS**
**SABENA**
**SAUDI ARABIAN**
**SOUTH AFRICAN**
SOUTHERN AIR TRANSPORT
**TAP (PORTUGUESE)**
**TRANS-AUSTRALIA**
**TRANS WORLD**
**UNITED**
**VARIG**
WARDAIR
**WESTERN**
WIEN
**WORLD AIRWAYS**

Federal Aviation Agency and the airlines have expressed complete confidence in the plane's airworthiness. The FAA recently said: "There is no design defect nor peculiar flight characteristic in the 727 which could have caused the accidents."

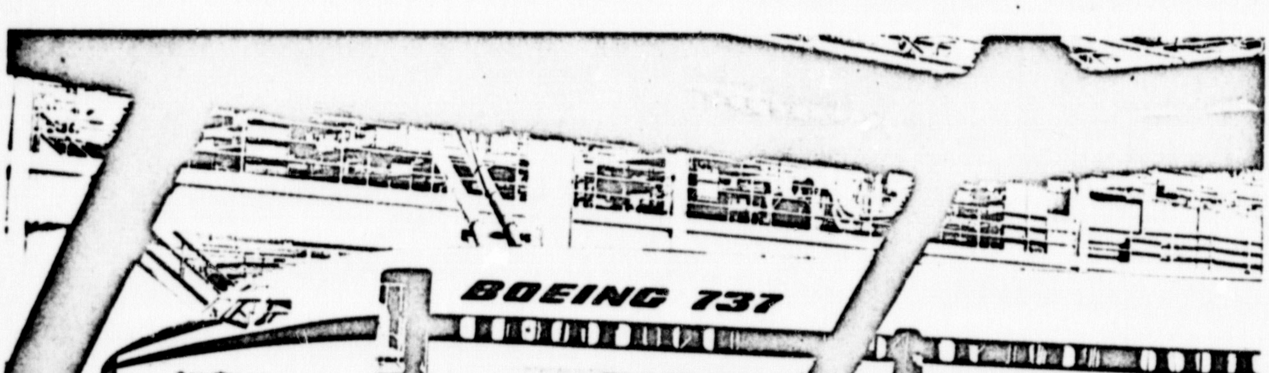
In addition to the increased air travel trend reflected in the total number of jetliners ordered during the year, the figures emphasized a significant growth of air cargo. Of the 82 very long-range Intercontinental 707s ordered, 57 were cargo or convertible cargo models, and of the 727s, 53 were of the convertible passenger-cargo type. A number of these were the new "Quick Change" or QC model which embodies a conversion innovation developed by the Company. The system embraces cargo container pallets and palletized seats and galleys which can be rolled quickly in and out of the airplane on floor rollers. A complete change from passenger to cargo version, or vice versa, can be made in 30 minutes. Thus a plane which has carried passengers by day may be used in the off-hours of night as a cargo transport—markedly increasing utilization of the aircraft.

Schedule commitments require acceleration of deliveries to 252 aircraft of 6 types for 41 customers during 1966. To accomplish this, additional facilities and manpower are being made available as rapidly as possible. The Wichita facility, in addition to 707 and 727 parts support, is being assigned an important role in providing major sections and sub-assemblies for the 737.

Design, economics and marketing studies are being conducted to determine the feasibility and potential of a new sub-sonic jetliner concept which would provide substantially greater seating or cargo capacity than any commercial aircraft now in service. The Company is consulting airline operators for their reactions to preliminary design details. Decision will be made during the year on adding such an aircraft, identified as the 747, to the Boeing family of jet airliners. It would have a capacity of 350 to 400 passengers or 100 tons of cargo. Growing demand for such an aircraft on high-density and long-range routes indicates that the concept is worthy of serious consideration.

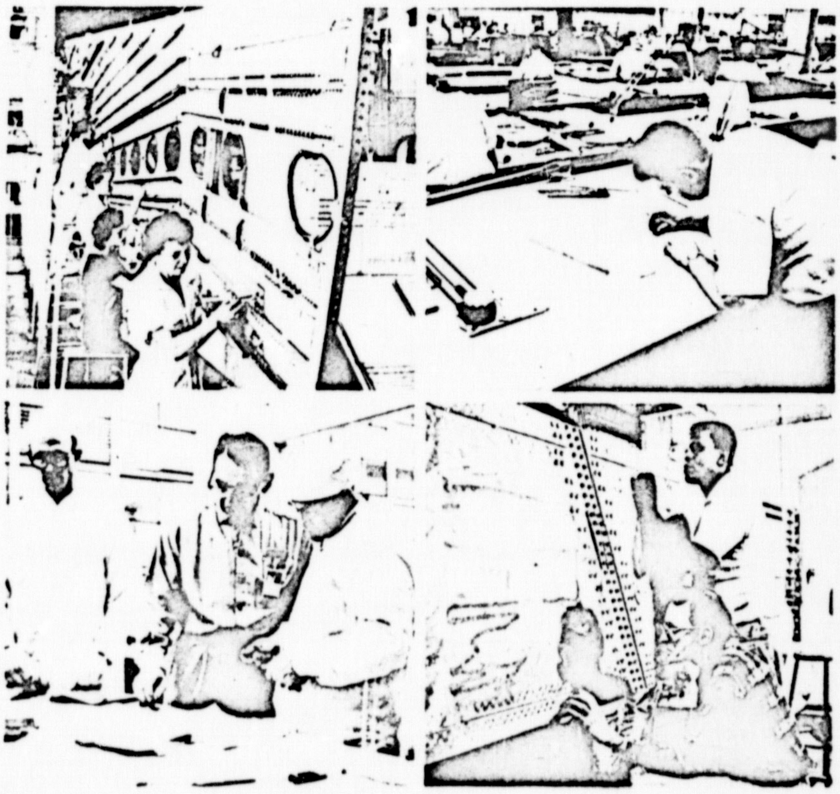
An eighteen-month government-industry cost-sharing study of supersonic transport technology calls for final proposals from the competing airframe companies by September 1, 1966. Boeing is one of the two airframe finalists. The Company's team has been augmented to meet contract requirements, with work continuing on design and testing of key elements of the airplane in preparation for the prototype phase. Since 1958 Boeing has had an SST study project. More than 1,000 man-years of engineering and 20,000 hours of wind tunnel and power plant testing have been applied to date in development of the Boeing entry in this competition.

Of significant importance to the nation's economy is the favorable contribution to the balance of trade made by the Company's sales to overseas airlines. Since start of the jet transport program, Boeing overseas sales have been approximately one billion dollars. The current backlog for overseas delivery will add $387 million to the favorable side of the exchange ledger.



*Developmental mockup of short-range 737 in Renton plant*

## BOEING PEOPLE



The Company has been fortunate in maintaining a large nucleus of long-term employees. At mid-1965, more than 35,000 Boeing people had been with the Company more than ten years, with almost 1500 of that number wearing 25-, 30- and 35-year pins. The policy of moving skilled people from program to program and, as needed, from one division or location to another, has resulted in broad bases of experience in management, design, development and manufacture. While no dollar value can be placed upon this experience, the people of Boeing unquestionably constitute its greatest single asset.

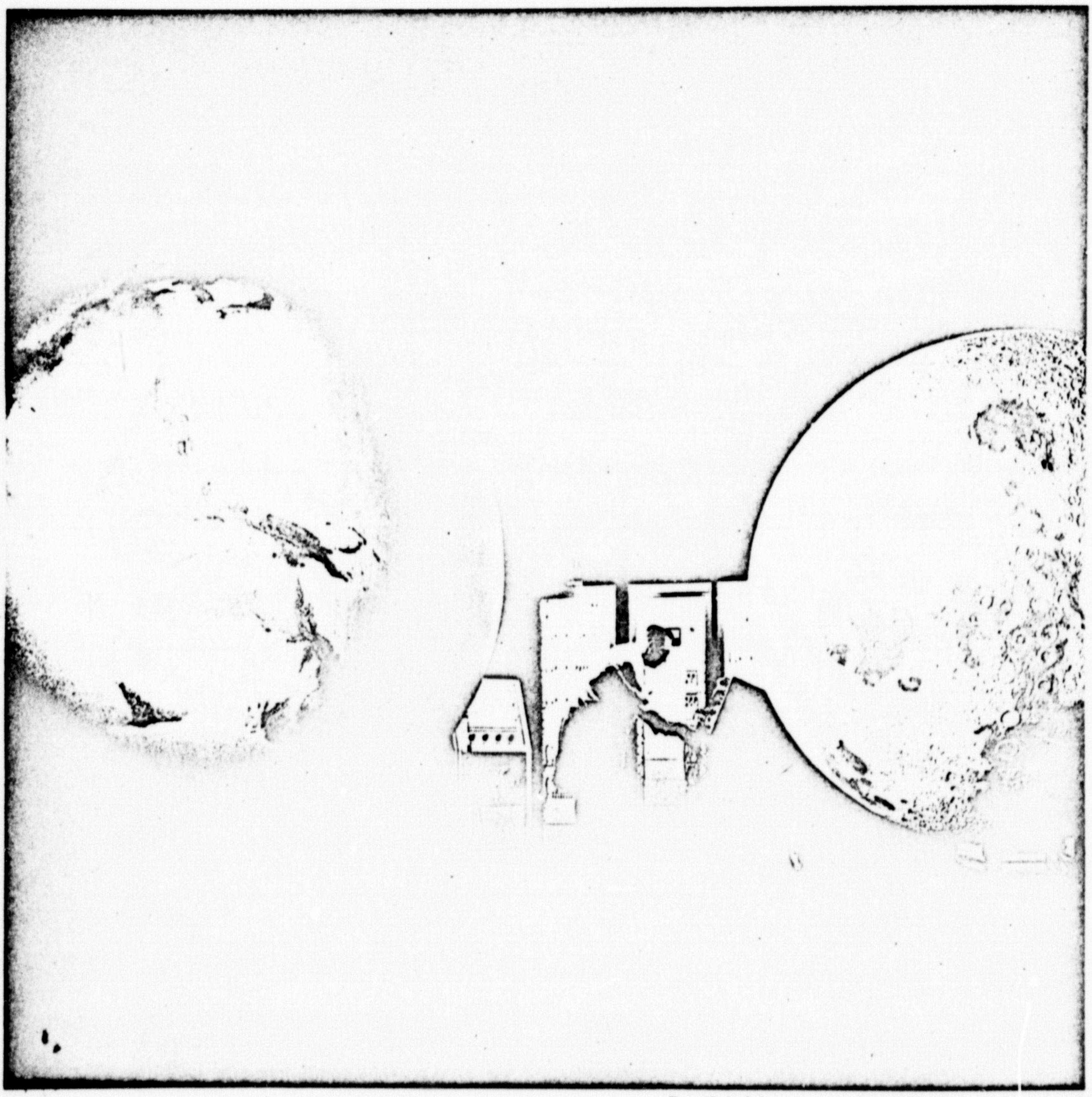
A decline in total employment experienced early in 1965 was reversed in March. By mid-June, when the January 1 total had been restored, increased production rates for commercial aircraft and helicopters required an accelerated hiring program which may be expected to continue through 1966. Manpower, particularly in the skilled and technical-professional areas, presents an increasing problem throughout the aerospace industry in the face of a burgeoning economy. Competition for skills in all areas is intense, and major recruitment efforts will be necessary.

The Company has announced requirements for a net increase in employment of more than 15,000 in the Seattle area during the coming year. In addition, net gains are also anticipated at the Morton, Pennsylvania, Wichita, Kansas, Huntsville, Alabama, and Cape Kennedy operations.

Major training programs are maintained by the Company to improve skills, to develop employees who are capable of advancement into supervision and to prepare the vital pool of trained management people for the executive positions of tomorrow. During 1965, both on-shift and off-shift training for hourly employees totaled more than 1,100,000 man-hours, and management courses exceeded 160,000 man-hours.

An off-hour course in public affairs has been offered since 1959 to employees and their wives. Its purpose is to encourage understanding of and participation in community and state political and economic affairs and to emphasize, on a non-partisan basis, the importance of the individual's informed and active part in his government whether as candidate, precinct worker or voter. Since its inception, more than 4,500 have taken the course.

During the year, new three-year labor contracts were negotiated with the International Association of Machinists and the United Auto Workers unions, representing the hourly production and maintenance employees at the various Company locations. A strike of the Machinists union at all installations where it has bargaining rights was called on September 16. Continued negotiations resulted in agreement ending the strike on October 4, with a mutual recognition that one unresolved issue, that of performance analysis, the Company's system of manpower control, is a matter of great complexity. It was agreed to continue negotiations on this issue for an additional six months. The right to strike on this issue alone is reserved to the Machinists union if, by April 1, agreement has not been reached.



*Detailed globes are visual tools in space flight research*

## RESEARCH

Boeing's first research tool was a primitive wind tunnel built in 1918. It was possible in it to simulate the conditions of manned flight in the atmosphere under controlled conditions. Today research in flight beyond the atmosphere is carried out in space chambers and navigational and docking simulators at the Company's new Space Center. In radiation effects laboratories scientists probe the nature of radiation in space and its effects on men and materials. In scores of other laboratories research goes on.

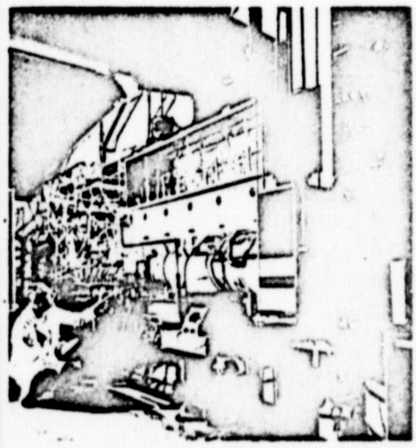
And just as that early research in 1918 guided the Company on its pioneering steps in airplane development, so its present research is pointing to new paths in man's conquest of space.

Mathematics, the universal language of science, is used increasingly as a tool of research, particularly since advent of the electronic computer. One such application combines mathematical techniques, the latest computers and the eleven-year-old Boeing jet prototype. The research was to determine the response to pilot controls of future aircraft, larger, smaller, faster, slower than today's. By installing an analog computer which interpreted the pilot's control forces in terms of the hypothetical future aircraft, it was possible to make the 1954 prototype react as though it were in fact the airplane of day after tomorrow. Data gathered are being applied to studies on a supersonic transport design.

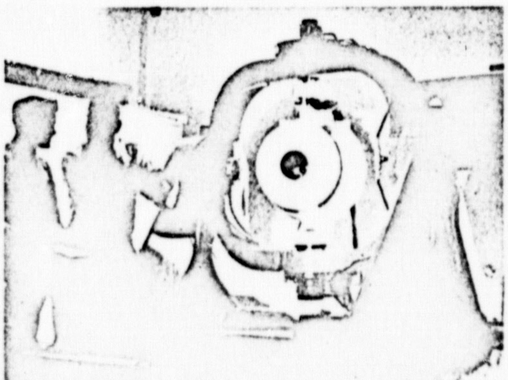
In another application of mathematical research to computer exercises, the airline routes of potential customers are analyzed to determine the optimum number and types of jet airliners they might require in an equipment modernization program.

Development of a tiny, inexpensive device for use in testing theories in the search for a power-producing thermonuclear reactor has the potential for saving millions of dollars and years of time devoted to experimental work. In a dramatic test of the inexpensive device developed in Boeing Scientific Research Laboratories the equipment duplicated and confirmed in a few weeks the results of more than two years' work by an earlier researcher and at a fraction of the cost.

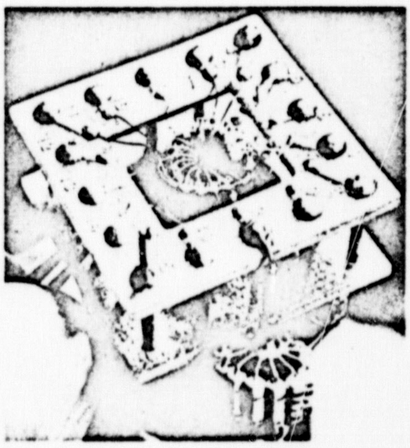
While the discussion here has been primarily of basic research, applied research on processes, products and materials is carried on throughout the Company's divisions. From such research comes the constant advancement in such diverse programs as jet aircraft, missiles, boosters, spacecraft and helicopters, which has enabled the Company to maintain its position of leadership throughout the years.



*Laboratory experiments seek supersonic combustion answers*

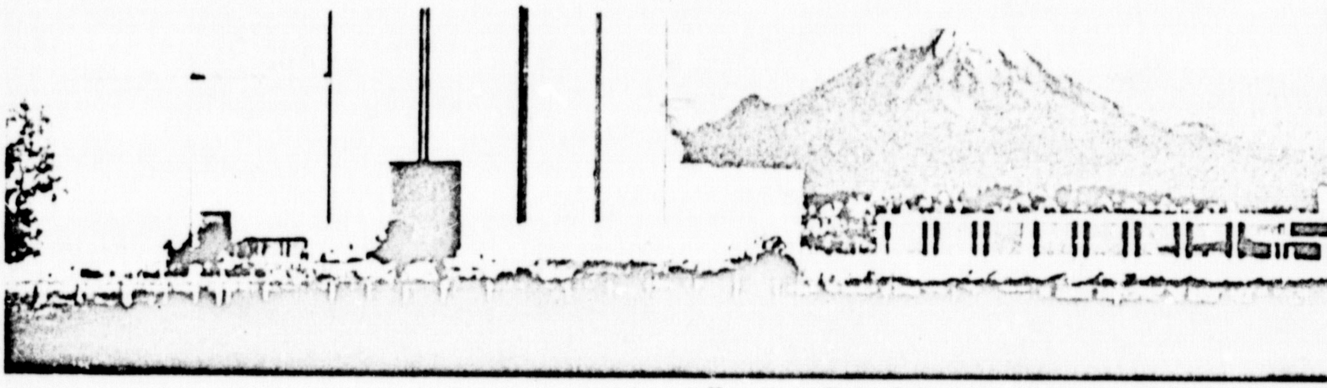


*Equipment provides missile optical guidance simulation in electronic optical laboratory*



*Tiny device is tool in inexpensive thermonuclear power reactor search*

## FACILITIES



*Kent Space Center Laboratories, dedicated in 1965, will be doubled in area when construction under way is completed*

To increase the Company's capabilities in both commercial and governmental areas, substantial facility additions were authorized in 1965 and more will be required during 1966.

For the Commercial Airplane Division these new facilities include major final assembly buildings, a new paint hangar and laboratory and office buildings. In addition, operation of Plant II at Seattle has been assigned to the Commercial Airplane Division and negotiations are nearing completion for purchase of those remaining portions of the plant which are still government property.

A central fabrication plant is under construction at nearby Auburn to serve both the Renton and Seattle plants.

These various facility additions are required to meet the Company's commitment to deliver 252 jetliners in 1966—80 more than in 1965, to accomodate production and final assembly of the 737 and to provide capability to meet the continuing demand for airline equipment.

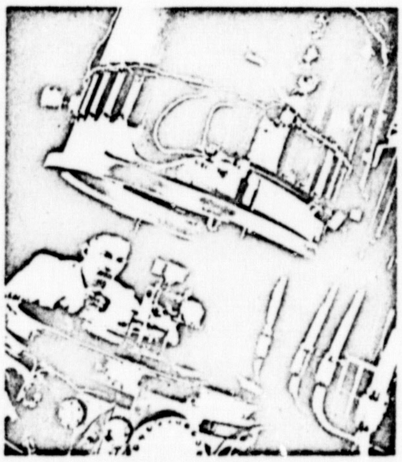
The Boeing Space Center at Kent in the Seattle area was dedicated during the year. To permit concentration of all Company space efforts, authorization to practically double the Space Center facilities was given during the year. This work is well under way and scheduled for completion by the end of 1966.

The Department of Defense order to double Chinook and Sea Knight helicopter production also called for facilities expansion. As a result, the Company has acquired a 112-acre industrial complex adjacent to the present Engineering and Dynamic Center near Philadelphia. The addition, with more than 1 million square feet of covered area, provides adequately for the accelerated production schedules and still leaves room for production growth. Also scheduled for construction in this area are a highly advanced wind tunnel for helicopter and vertical takeoff and landing aircraft research, and an engineering laboratory building.

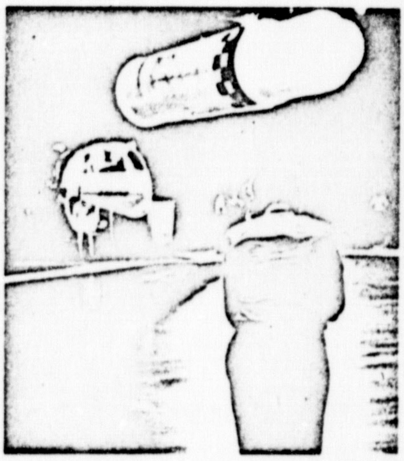
*Closed circuit TV is monitored for simulation of space flight*

*Graphic layout of Space Center control panels aids efficiency*

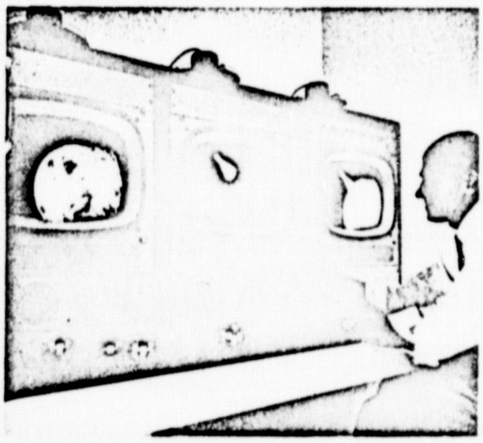
*Space chamber receives NASA-Boeing Lunar Orbiter for tests under environmental conditions*

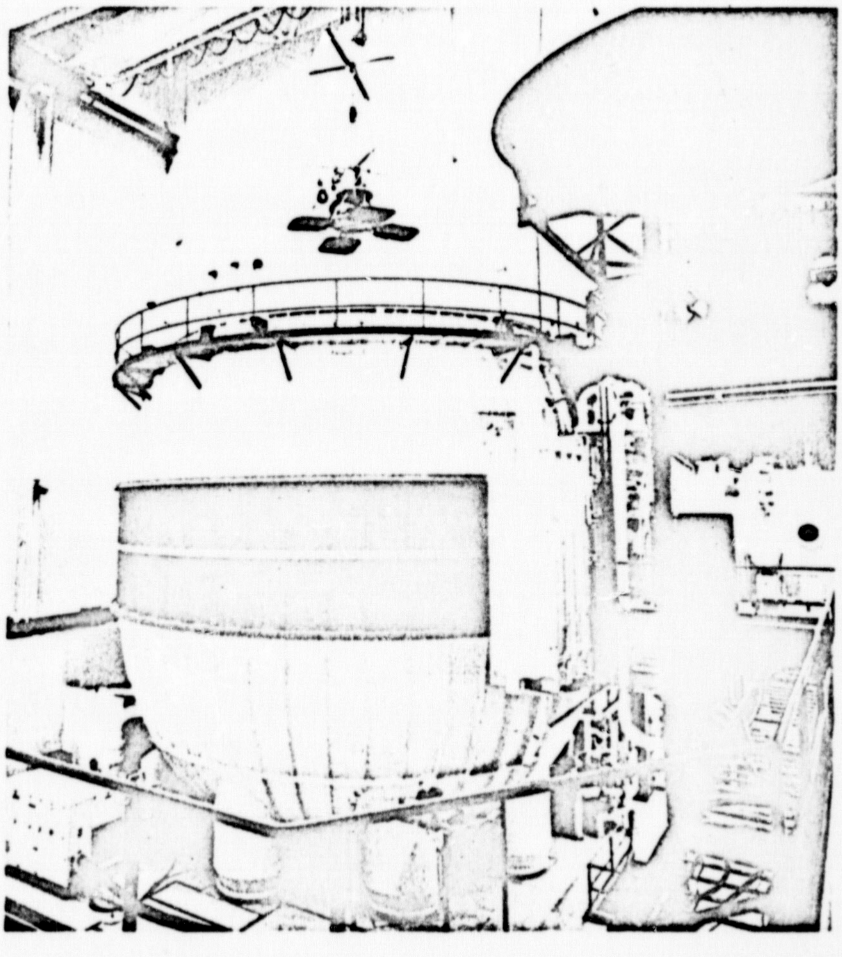


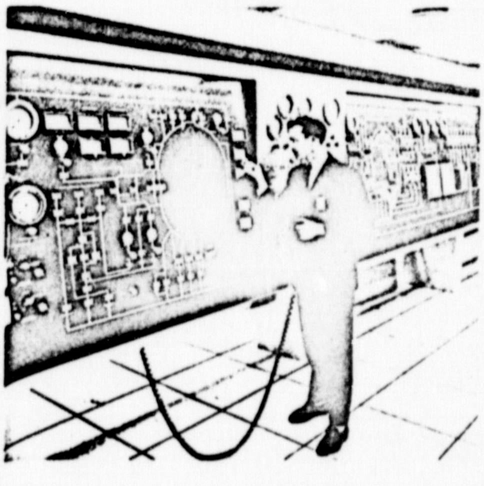
*Lunar Orbiter component test readied on space chamber base*



*Space docking simulators in Kent Center provide training*





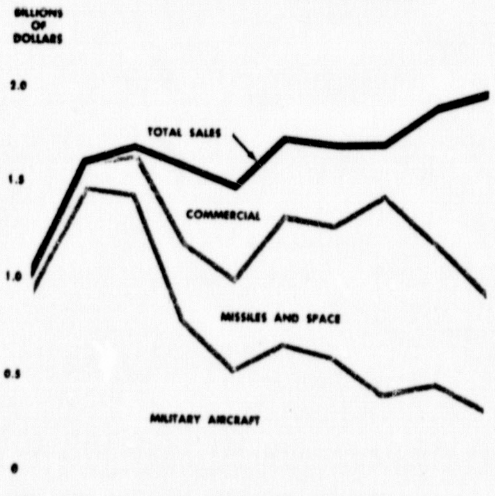


## FINANCIAL REVIEW

| **SALES** *(in millions)* | *1965* | *1964* |
|---|---|---|
| Commercial | $1,003 | $ 701 |
| Missiles and Space | 609 | 731 |
| Military Aircraft | 411 | 537 |
| Total | $2,023 | $1,969 |

Total sales exceeded $2 billion for the first time in the Company's history. The commercial aircraft program was again the major contributor to sales among the Company's principal programs. With deliveries of 707-720s increasing to 61 and of 727s to 111 from prior year levels of 38 and 95, respectively, jet transport sales were approximately $300 million higher than those reported in 1964. Sales of $13 million under SST study contracts are included in the commercial aircraft total. Sales to the U.S. Government of $1,020 million were approximately $250 million less than those reported in 1964. With respect to missile and space programs, the further reduction in Minuteman sales was partially offset by increased activity in 1965 on both the Saturn and Lunar Orbiter programs. On military aircraft programs, the substantial reduction in KC-135 sales attributable to the phase-out of that particular model in 1965 and somewhat lower sales on B-52 modification and maintenance programs were partially offset by increased Sea Knight and Chinook helicopter sales.

SALES BY PRODUCT LINE



Looking ahead to 1966, sales should be somewhat higher than the prior year's level by reason of increased commercial aircraft deliveries. Schedules call for delivery under sales contracts of 227 jet transports in 1966, as compared to the delivery of 172 in 1965. In addition, 25 commercial jets will be delivered to airline customers under lease arrangements. With missile and space sales projected for a nominal decline and with increased helicopter deliveries only partially offsetting the further reduction in activity on the B-52 and KC-135 programs, total government sales in 1966, based on current programs and schedules, should be somewhat lower than 1965 levels.

| **EARNINGS** | *1965* | *1964* |
|---|---|---|
| Net earnings (in millions) | $78.3 | $45.3 |
| Profit Margin | 3.9% | 2.3% |
| Earnings per share | $9.56 | $5.64 |

Earnings in 1965 far exceeded those of any previous year in the Company's history. The increased profitability is primarily attributable to continued favorable developments on the commercial jet transport programs and the Model 107 (Sea Knight) and Chinook helicopter programs. In this connection, it must again be emphasized that the Company's policy of charging research, developmental, testing and certain other initial production costs against earnings in the earlier phases of commercial jet transport and straight fixed-price military programs, although properly conservative in light of the high risk nature of such programs, results in reported profit margins in the latter stages of a successful program being substantially higher than the cumulative over-all program margins.

Cost performance during 1965 on the 707-720 and 727 models continued favorable and when combined with increased aircraft and spares deliveries, resulted in a significant increase in reported profits over 1964 levels. Partially offsetting this increase were research, developmental and other initial production charges relating to the Model 737 short-range jet transport and to 707 and 727 model improvement programs.

The heavy charges relating to the introduction of the various configurations of the Model 107 helicopter resulted in a substantial drain on earnings in 1964 and prior years. With such charges fully recognized and with cost performance on both the 107 and Chinook programs having shown significant improvement, the Vertol Division in 1965 was a contributor to reported earnings for the first time since its acquisition in 1960.

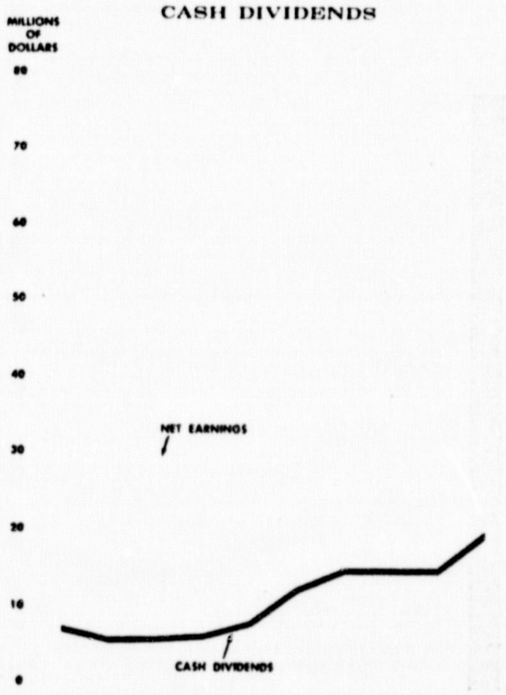
Although the volume on missile and space programs and the B-52 and KC-135 was below prior years' levels, cost performance has been maintained in most instances at previous levels or improved upon, and over-all profit margins in 1965 were comparable to prior periods.

As reported in the third quarter stockholders' letter, the dynamic, volatile and high-risk nature of aerospace business requires that accounting policies and financial reporting practices be continually reviewed. In this connection, with the 737 two-engine short-range jet and the 727-200 long-body jet transport programs having been committed to production in 1965 and with the prospect of a 747 advanced intercontinental jet transport program being undertaken in 1966, it was deemed desirable to change certain accounting policies with respect to commercial jet transport programs. The changes provide for basic production engineering and planning costs to be charged directly against earnings as incurred. Previously, such costs were included in inventory and charged to cost of sales on a proportionate basis as deliveries of aircraft in applicable costing blocks were made. This revised policy provides for heavier charges against earnings in the earlier phases of such programs and is consistent with the Company's objective of maintaining as conservative financial reporting policies as is practical. The changes resulted in reported 1965 net earnings being $9.7 million less than what would have been reported if earnings had been based on the accounting policies followed in 1964 and prior years.

The profitability of the commercial jet transport program as reflected by reported annual earnings is influenced by such factors as production rate and production cost trends, costs relating to model improvement programs and to the introduction of new models, and competitive conditions. Each of these factors has major profitability implications and their nature is such as to make forecasts of profitability from year to year most difficult. As previously stated, such forecasts cannot be a straight extrapolation of previous trends but must consider the effect on earnings of costs incurred and risks assumed in maintaining the Company's competitive position in the Free World jet aircraft market.

With increased research, developmental, testing and engineering activity on the 737 and 727-200 programs, and the possibility of an early decision to proceed with the 747 program,

NET EARNINGS AND CASH DIVIDENDS



charges against earnings in 1966 relating to new models and model improvement programs will be substantially increased over 1965 levels. Favorably affecting earnings in 1966 will be increased deliveries of 707s, increased deliveries of 727s at improved profit margins, and a further improvement in the profitability of the helicopter operations.

## FINANCIAL POSITION

The Company's over-all financial position continues strong, with working capital of $260 million and no bank loans outstanding. Long-term debt aggregates $98 million, down $11 million from the previous year end, including $6 million of convertible debentures exchanged for stock.

Gross additions to property, plant and equipment totaled $68 million, the highest level in the Company's history.

Regular quarterly dividends of $.50 per share were paid in 1965, continuing the rate established in the fourth quarter of 1961. In addition, a special dividend of $.50 per share was declared and distributed with the dividend for the fourth quarter.

A summary of sources and uses of funds during the year follows:

| *Sources* (in millions) | |
|---|---|
| Net earnings | $ 78.3 |
| Depreciation of plant and equipment | 25.5 |
| Other | 2.0 |
| Total | $105.8 |

| *Uses* (in millions) | |
|---|---|
| Additions to plant and equipment | $ 67.8 |
| Cash dividends paid | 20.3 |
| Reduction of long-term debt | 5.4 |
| Increased jet transport financing | 3.7 |
| Increased working capital | 8.6 |
| Total | $105.8 |

Looking to the future, an evaluation of potential over-all fund requirements indicates that a financing program involving some equity may be desirable.

A major facilities expansion program is being undertaken to support the substantially increased demand for the 707-720-727 and 737 family of jet transports and the Sea Knight and Chinook helicopters and to provide the advanced research, developmental and production facilities required for current and prospective missile, space and military aircraft programs. Capital assets budgets of $165 million to meet such requirements were approved for 1965, and 1966 budgets will be somewhat higher. The level of facilities expenditures beyond those already committed will be directly related to the decision on the Model 747 advanced jet transport, the outcome of the competition for the design, development and production of the United States Supersonic Jet Transport, and the degree of success achieved in obtaining additional government contracts in the aerospace and related fields.

In addition, substantial commitments with regard to jet transport financing have been undertaken. Such commitments range from short and long-term leases of aircraft to installment notes with varying maturity and security provisions. Although it is the Company's objective to minimize commitments in this area, there will undoubtedly be a continuing requirement for substantial capital resources to be devoted to jet transport financing.

If the company undertakes the 747 program, the inventory investment, even with airline advance payment requirements increased over normal levels, will be substantially greater than that required for any previous jet transport program. Such requirement would, in the earlier stages of a 747 program, occur at the same time that inventory investment on the Model 737 short-range jet is peaking.

| BACKLOG (in millions) | *1965* | *1964* |
|---|---|---|
| Commercial | $2,455 | $1,139 |
| Missiles and Space | 359 | 324 |
| Military Aircraft | 334 | 381 |
| Total | $3,148 | $1,844 |

Backlog of unfilled commercial orders at the end of 1965 more than doubled from the previous year end, while the government order backlog decreased slightly. As stated in previous reports, unfilled orders from the U.S. Government are limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts believed to be firmly established in Department of Defense and NASA procurement plans, unfilled orders would be substantially increased.

## FEDERAL INCOME TAXES

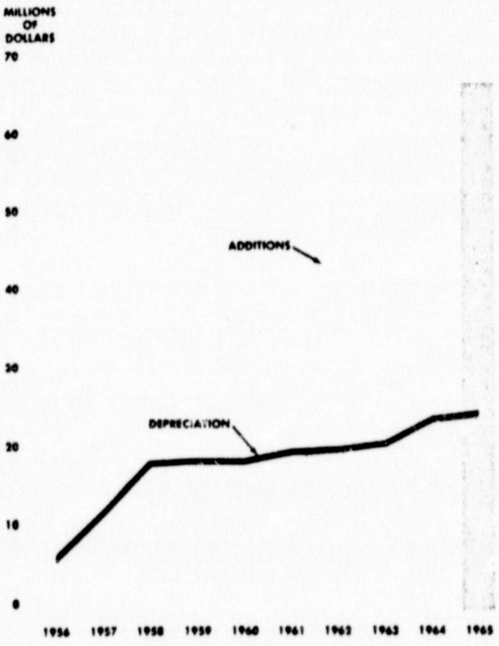
The Internal Revenue Service has reviewed and agreed to all federal income tax returns through the year 1963, except for certain pending refund claims which have not been recorded in the accounts. The income tax liability stated on the balance sheet is believed to provide adequately for the years 1964 and 1965.

## RENEGOTIATION

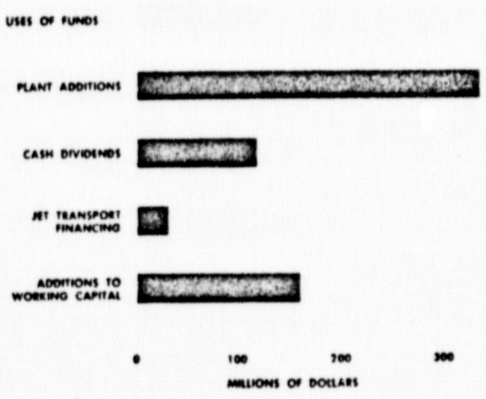
During 1965, renegotiation refund cases pending in the Tax Court of the United States for the years 1953, 1954, and 1955 were settled by agreement between the Company and the Renegotiation Board acting through the Department of Justice. Settlement of the cases was concluded, not through any concession on the part of the Company that profits realized were excessive within the meaning of the Renegotiation Act, but to avoid the expense and delay of prolonged litigation. Amounts previously provided for in the financial statements covered the refunds required under the terms of the settlement.

With the above settlement, Renegotiation Board proceedings for all years through 1962 have been concluded. The Company does not know and cannot predict what the Board's action will be for 1963 and subsequent years. In view of this uncertainty, and the belief of the Company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

PROPERTY, PLANT AND EQUIPMENT



FUNDS STATEMENT
1956-1965



## TEN YEAR COMPARATIVE FINANCIAL DATA

**Dollars (other than per share amounts) in millions**

### SALES, EARNINGS AND DIVIDENDS

| | SALES | EARNINGS BEFORE INCOME TAXES | | NET EARNINGS | | | CASH DIVIDENDS | |
|---|---|---|---|---|---|---|---|---|
| | | AMOUNT | % OF SALES | AMOUNT | % OF SALES | PER SHARE | AMOUNT | PER SHARE |
| 1965 | $2,023 | $149.6 | 7.4 | $78.3 | 3.9 | $9.56 | $20.3 | $2.50 |
| 1964 | 1,969 | 89.0 | 4.5 | 45.3 | 2.3 | 5.64 | 16.0 | 2.00 |
| 1963 | 1,771 | 44.9 | 2.5 | 21.7 | 1.2 | 2.71 | 16.0 | 2.00 |
| 1962 | 1,769 | 56.3 | 3.2 | 27.2 | 1.5 | 3.40 | 16.0 | 2.00 |
| 1961 | 1,801 | 73.9 | 4.1 | 35.7 | 2.0 | 4.47 | 13.5 | 1.70 |
| 1960 | 1,555 | 51.8 | 3.3 | 24.5 | 1.6 | 3.07 | 9.1 | 1.14 |
| 1959 | 1,649 | 26.4 | 1.6 | 12.7 | 0.8 | 1.60 | 7.4 | 0.92 |
| 1958 | 1,752 | 63.4 | 3.6 | 30.2 | 1.7 | 3.82 | 7.9 | 0.89 |
| 1957 | 1,674 | 80.8 | 4.8 | 39.8 | 2.4 | 5.10 | 6.7 | 0.86 |
| 1956 | 1,096 | 74.1 | 6.8 | 35.4 | 3.2 | 4.56 | 8.2 | 1.05 |

### FINANCIAL POSITION DATA

| | WORKING CAPITAL | LONG-TERM NOTES | LEASED AIRCRAFT | PLANT AND EQUIPMENT | | LONG-TERM DEBT | STOCKHOLDERS' INVESTMENT | |
|---|---|---|---|---|---|---|---|---|
| | | | | AT COST | NET | | AMOUNT | PER SHARE |
| 1965 | $260 | $20 | $14 | $380 | $172 | $ 98 | $372 | $45.41 |
| 1964 | 252 | 1 | 29 | 315 | 130 | 110 | 306 | 38.13 |
| 1963 | 243 | 9 | 17 | 285 | 121 | 115 | 276 | 34.49 |
| 1962 | 196 | 13 | 10 | 261 | 115 | 65 | 270 | 33.78 |
| 1961 | 178 | 25 | 32 | 214 | 86 | 65 | 258 | 32.38 |
| 1960 | 199 | 17 | 8 | 189 | 81 | 71 | 236 | 29.62 |
| 1959 | 204 | 2 | — | 172 | 83 | 71 | 221 | 27.68 |
| 1958 | 197 | — | — | 155 | 85 | 71 | 213 | 26.92 |
| 1957 | 102 | — | — | 136 | 84 | — | 186 | 23.90 |
| 1956 | 101 | — | — | 91 | 52 | — | 152 | 19.60 |

**Notes:** All per share data adjusted to reflect stock dividends and stock splits.
Vertol Aircraft Corporation, acquired in 1960, included in data for prior years.

## PRINCIPAL SOURCES AND USES OF FUNDS

| SOURCES | | | USES | | | | |
|---|---|---|---|---|---|---|---|
| NET EARNINGS | DEPRECIATION | DEBENTURES AND CAPITAL STOCK SOLD | CASH DIVIDENDS | ADDITIONS TO PLANT | INCREASED AIRCRAFT FINANCING | INCREASED WORKING CAPITAL | |
| $78.3 | $25.5 | ($4.1) | $20.3 | $67.8 | $ 3.7 | $ 8.6 | 1965 |
| 45.3 | 24.7 | (4.6) | 16.0 | 33.6 | 4.5 | 8.3 | 1964 |
| 21.7 | 21.6 | 50.7 | 16.0 | 28.2 | 3.1 | 46.9 | 1963 |
| 27.2 | 21.0 | 0.8 | 16.0 | 50.1 | (34.7) | 18.0 | 1962 |
| 35.7 | 20.6 | (5.6) | 13.5 | 26.8 | 32.4 | (20.7) | 1961 |
| 24.5 | 19.4 | — | 9.1 | 17.4 | 22.3 | (4.7) | 1960 |
| 12.7 | 19.5 | 2.2 | 7.4 | 18.1 | 2.5 | 7.0 | 1959 |
| 30.2 | 19.1 | 73.8 | 7.0 | 19.5 | — | 94.8 | 1958 |
| 39.8 | 12.9 | 0.9 | 6.7 | 45.6 | — | 1.4 | 1957 |
| 35.4 | 7.1 | 0.7 | 8.2 | 31.2 | — | 2.2 | 1956 |

## GENERAL INFORMATION

| SHARES OUTSTANDING | BACKLOG | FLOOR AREA (In Million Square Feet) | | | EMPLOYEES | | |
|---|---|---|---|---|---|---|---|
| | | BOEING OWNED | LEASED | GOV'T OWNED | AVERAGE NUMBER | SALARIES AND WAGES | |
| 8,187,140 | $3,148 | 12.5 | 2.5 | 11.4 | 93,400 | $813 | 1965 |
| 8,036,986 | 1,844 | 11.3 | 2.1 | 11.2 | 90,900 | 758 | 1964 |
| 8,012,568 | 1,815 | 11.1 | 2.0 | 11.2 | 100,400 | 803 | 1963 |
| 7,992,376 | 1,620 | 10.8 | 2.3 | 10.8 | 104,100 | 768 | 1962 |
| 7,982,430 | 1,869 | 7.2 | 1.9 | 11.8 | 89,800 | 629 | 1961 |
| 7,971,647 | 2,139 | 6.6 | 1.7 | 11.4 | 81,700 | 556 | 1960 |
| 7,970,640 | 2,018 | 6.4 | 1.8 | 11.7 | 92,300 | 579 | 1959 |
| 7,768,735 | 2,470 | 6.1 | 2.2 | 11.7 | 95,300 | 566 | 1958 |
| 7,351,196 | 2,482 | 6.0 | 2.3 | 11.3 | 99,300 | 537 | 1957 |
| 7,028,155 | 3,141 | 4.2 | 2.3 | 9.4 | 76,000 | 400 | 1956 |

**THE BOEING COMPANY**

## BALANCE

### ASSETS

| | *December 31,* *1965* | *1964* |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and marketable securities | $ 97,121,000 | $ 47,767,000 |
| Amounts receivable under United States Government contracts | 170,820,000 | 179,403,000 |
| Other accounts and notes receivable | 64,923,000 | 61,557,000 |
| Inventories | 215,806,000 | 195,033,000 |
| Prepaid expenses | 3,772,000 | 3,206,000 |
| **Total Current Assets** | $552,442,000 | $486,966,000 |
| **LONG-TERM NOTES RECEIVABLE** | $ 19,857,000 | $ 952,000 |
| **LEASED AIRCRAFT** | 13,980,000 | 29,226,000 |
| **OTHER ASSETS AND DEFERRED CHARGES** | 3,899,000 | 4,095,000 |
| **PROPERTY, PLANT AND EQUIPMENT,** at cost | $379,832,000 | $314,929,000 |
| Less accumulated depreciation and amortization | 207,783,000 | 184,727,000 |
| | $172,049,000 | $130,202,000 |
| | $762,227,000 | $651,441,000 |

## E SHEET

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | *December 31,* | |
|---|---|---|
| | *1965* | *1964* |
| **CURRENT LIABILITIES** | | |
| Current portion of long-term debt | $ 2,750,000 | $ — |
| Accounts payable and accrued expenses | 277,219,000 | 225,909,000 |
| Allowance for renegotiation, net of taxes | | 7,768,000 |
| Federal taxes on income (less U. S. tax anticipation bills: 1965, $49,146,000; 1964, $24,547,000) | 12,213,000 | 1,617,000 |
| Total Current Liabilities | $292,182,000 | $235,294,000 |
| **LONG-TERM DEBT,** less current portion | $ 98,289,000 | $109,707,000 |
| **STOCKHOLDERS' INVESTMENT** | | |
| Capital stock, par value $5 a share—<br>Authorized, 10,000,000 shares<br>Issued and outstanding at stated value:<br>1965, 8,187,140 shares;<br>1964, 8,036,986 shares | $135,979,000 | $128,675,000 |
| Retained earnings | 235,777,000 | 177,765,000 |
| | $371,756,000 | $306,440,000 |
| | $762,227,000 | $651,441,000 |

See notes to financial statements.

**THE BOEING COMPANY**

## STATEMENT OF NET EARNINGS

| | YEAR ENDED DECEMBER 31, 1965 | 1964 |
|---|---|---|
| Sales and other income | $2,042,474,000 | $1,982,726,000 |
| Costs and expenses | $1,885,441,000 | $1,886,445,000 |
| Interest and debt expense | 7,465,000 | 7,257,000 |
| Federal taxes on income | 71,300,000 | 43,700,000 |
| | $1,964,206,000 | $1,937,402,000 |
| NET EARNINGS | $ 78,268,000 | $ 45,324,000 |

## STATEMENT OF STOCKHOLDERS' INVESTMENT

YEAR ENDED DECEMBER 31, 1965

| | CAPITAL STOCK SHARES | CAPITAL STOCK AMOUNT | RETAINED EARNINGS |
|---|---|---|---|
| Balance at January 1, 1965 | 8,036,986 | $128,675,000 | $177,765,000 |
| Net earnings | | | 78,268,000 |
| Shares sold to officers and employees: | | | |
| Under stock option plan | 23,187 | 924,000 | |
| Under incentive compensation plan | 7,599 | 484,000 | |
| Shares issued in exchange for Convertible Subordinated Debentures | 119,368 | 5,896,000 | |
| Cash dividends paid, $2.50 a share | | | (20,256,000) |
| Balance at December 31, 1965 | 8,187,140 | $135,979,000 | $235,777,000 |

See notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

## INVENTORIES:

Work in process on military fixed-price incentive type contracts is stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred. In addition, effective January 1, 1965, the Company adopted the policy of charging basic engineering and planning costs applicable to commercial jet transport programs directly to earnings instead of to work in process. The effect of this change was to reduce net earnings for 1965 by $9,700,000. At December 31, 1965, work in process aggregated $527,853,000, less advances and progress payments of $346,288,000.

To the extent that estimated costs of units scheduled for production, determined in the above manner, are expected to exceed total sales price, charges are made to current earnings in order to reduce work in process to estimated proportionate sales value.

Commercial spare parts and general stock materials, aggregating $34,241,000, are stated at average cost, not in excess of realizable value.

## INVESTMENT TAX CREDIT:

The investment tax credit is being deferred and amortized ratably over the lives of the applicable assets. The cumulative amount deferred at December 31, 1965 is $4,300,000.

## LONG-TERM DEBT AND RESTRICTIONS ON RETAINED EARNINGS:

| | *December 31,*<br>*1965* | *1964* |
|---|---|---|
| 5% Notes payable to insurance company, less current installment . . . . | $ 47,250,000 | $ 50,000,000 |
| 5% Sinking Fund Debentures . . . . | 26,501,000 | 29,201,000 |
| 4½% Convertible Subordinated Debentures . . . . | 24,538,000 | 30,506,000 |
| | $ 98,289,000 | $109,707,000 |

The Notes payable to insurance company, maturing in 1983, are payable in annual installments of $2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually. Debentures aggregating $5,399,000, previously reacquired, have been cancelled but may be applied against future sinking fund requirements.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each $100 principal amount. Of the Company's unissued capital stock, 490,756 shares are reserved for conversion of the debentures. The annual sinking fund requirements beginning in 1968 amount to $1,750,000 less credits for previously converted debentures.

The indentures under which the long-term obligations were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the Company's capital stock or subordinated indebtedness. Under the most restrictive of these provisions, retained earnings totaling $120,880,000 at December 31, 1965 were not so restricted.

## OPERATING CHARGES:

The following charges were incurred in the years ended December 31:

| | *1965* | *1964* |
|---|---|---|
| Depreciation and amortization of plant and equipment . . . | $25,489,000 | $24,667,000 |
| Retirement plan contributions . . . . | 23,574,000 | 28,174,000 |

## STOCK OPTIONS:

At December 31, 1965, options for 67,028 shares of the Company's stock, at prices ranging from $30.50 to $71.50, were outstanding, of which 18,826 shares were exercisable. During 1965, 23,187 shares were issued upon exercise of options and options were granted for 2,500 shares.

An additional 90,733 shares are available for future grants under the restricted stock option plan.

# ACCOUNTANTS' REPORT

**TOUCHE, ROSS, BAILEY & SMART**

610 WASHINGTON BUILDING
SEATTLE, WASHINGTON 98101

February 28, 1966

Board of Directors
The Boeing Company
Seattle, Washington

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1965 and the related statements of net earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

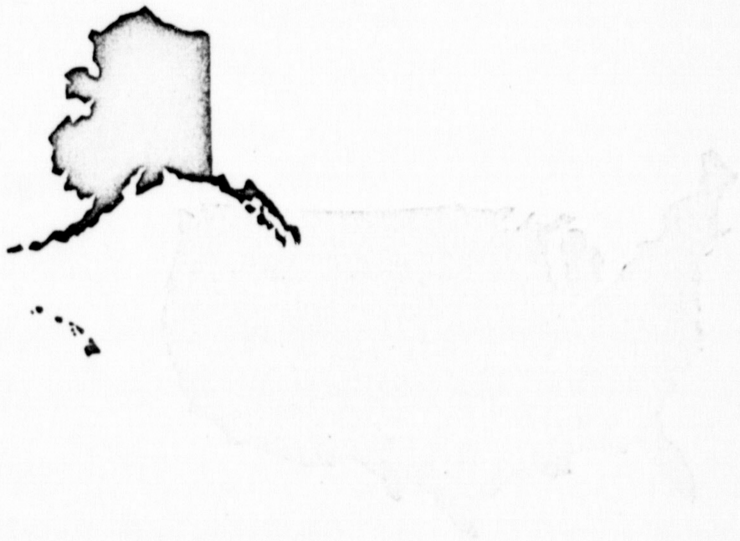
In our opinion, the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Except for the change, which we approve, described in the "Inventories" note to financial statements, such principles were applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 28, 1966, in setting aside the sum of $2,000,000 for the year 1965 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Ross, Bailey & Smart
Certified Public Accountants

# SUBCONTRACTING

| | |
|---|---|
| ALABAMA | $ 7,016,593 |
| ALASKA | 98,516 |
| ARIZONA | 32,646,382 |
| ARKANSAS | 521,951 |
| CALIFORNIA | 409,051,872 |
| COLORADO | 1,216,855 |
| CONNECTICUT | 268,427,172 |
| DELAWARE | 575,675 |
| DISTRICT OF COLUMBIA | 93,271 |
| FLORIDA | 5,578,058 |
| GEORGIA | 1,748,085 |
| HAWAII | 5,000 |
| IDAHO | 28,012 |
| ILLINOIS | 24,954,340 |
| INDIANA | 4,969,408 |
| IOWA | 5,332,019 |
| KANSAS | 16,227,033 |
| KENTUCKY | 237,879 |
| LOUISIANA | 4,170,527 |
| MAINE | 4,085 |
| MARYLAND | 7,719,107 |
| MASSACHUSETTS | 12,908,541 |
| MICHIGAN | 17,494,144 |
| MINNESOTA | 12,292,475 |
| MISSISSIPPI | 694,608 |
| MISSOURI | 8,852,611 |
| MONTANA | 202,125 |
| NEBRASKA | 440,980 |
| NEVADA | 54,802 |
| NEW HAMPSHIRE | 362,167 |
| NEW JERSEY | 67,421,032 |
| NEW MEXICO | 173,438 |
| NEW YORK | 62,669,546 |
| NORTH CAROLINA | 1,154,355 |
| NORTH DAKOTA | 635,883 |
| OHIO | 50,835,505 |
| OKLAHOMA | 648,402 |
| OREGON | 21,474,788 |
| PENNSYLVANIA | 46,031,576 |
| RHODE ISLAND | 970,446 |
| SOUTH CAROLINA | 46,287 |
| SOUTH DAKOTA | 77,183 |
| TENNESSEE | 1,321,049 |
| TEXAS | 10,736,365 |
| UTAH | 293,323 |
| VERMONT | 2,932,952 |
| VIRGINIA | 810,199 |
| WASHINGTON | 184,320,625 |
| WEST VIRGINIA | 394,462 |
| WISCONSIN | 2,514,460 |
| WYOMING | 423,113 |



Of every sales dollar received by the Company, more than 50% is spent in procurement of supplies or for subcontracted work. During 1965 such contracts were let to over 15,000 firms in an amount of more than $1.2 billion. Geographically these firms were located in all 50 states and the District of Columbia.

Of the firms with which the Company deals, 74% are classified as small business—generally defined as those with less than 500 employees.

In thus contributing to the growth of thousands of businesses—large and small—the Company is also contributing to a solid foundation of industrial know-how and producduction capability. In turn such resources assure supply lines for both peaceful and military requirements of the nation and provide a competitive atmosphere which assures highest quality at lowest cost.

(Many of the orders represented in the sum shown for the State of Washington in the listing by states actually accrue to other states but are placed with local offices or representatives of the manufacturers.)

## OFFICERS AND DIRECTORS

**WILLIAM M. ALLEN**
*President, Director*

**C. L. EGTVEDT**
*Chairman, Director*

**E. H. BOULLIOUN**
*Vice President—Assistant General Manager, Commercial Airplane Division*

**W. L. CAMPBELL**
*Director, President, General America Corp., Seattle*

**J. B. CONNELLY**
*Vice President—Assistant General Manager, Commercial Airplane Division*

**C. E. DILLON**
*Vice President—Finance and Services, Commercial Airplane Division*

**D. J. EULER**
*Vice President—Planning, Commercial Airplane Division*

**THORALF E. GAMLEM**
*Vice President—Manager, Central Fabrication Organization, Commercial Airplane Division*

**ARTEMUS L. GATES**
*Director, Consultant, New York*

**C. B. GRACEY**
*Vice President—Manufacturing*

**CRAWFORD H. GREENEWALT**
*Director, Chairman of the Board, E. I. duPont de Nemours & Co., Wilmington, Delaware*

**H. W. HAYNES**
*Vice President—Finance*

**ROBERT H. JEWETT**
*Vice President—General Manager, Missile and Information Systems Division*

**V. F. KNUTZEN**
*Controller*

**FRED P. LAUDAN**
*Vice President, Director Emeritus*

**GEORGE C. MARTIN**
*Vice President—Engineering*

**ORVILLE E. MELBY**
*Vice President—Sales and Contracts, Commercial Airplane Division*

**LOWELL P. MICKELWAIT**
*Vice President—Industrial and Public Relations, Director*

**ROBERT J. MURPHY JR.**
*Vice President—Washington Representative*

**H. W. NEFFNER**
*Vice President—Government Contracts*

**MAYNARD L. PENNELL**
*Vice President—Supersonic Transport Program Director*

**J. E. PRINCE**
*Vice President—Administration and Corporate Secretary, Director*

**WILLIAM G. REED**
*Director, Chairman, Simpson Timber Company, Seattle*

**R. L. REGAN**
*Vice President—Operations, Commercial Airplane Division*

**R. L. ROUZIE**
*Vice President—Engineering, Commercial Airplane Division*

**GEORGE S. SCHAIRER**
*Vice President—Research and Development*

**D. E. SKINNER**
*Director, President, Skinner Corporation, Seattle*

**GEORGE SNYDER**
*Vice President—Aerospace Group Operations*

**MALCOLM T. STAMPER**
*Vice President—General Manager, Turbine Division*

**J. E. STEINER**
*Vice President—Product Development, Commercial Airplane Division*

**GEORGE H. STONER**
*Vice President—General Manager, Space Division*

**R. W. THARRINGTON**
*Vice President—General Manager, Vertol Division*

**D. D. THORNTON**
*Treasurer*

**EDWARD C. WELLS**
*Vice President—Product Development, Director*

**GEORGE H. WEYERHAEUSER**
*Director, Executive Vice President, Weyerhaeuser Company, Tacoma*

**BEN M. WHEAT**
*Vice President—General Manager, Wichita Division*

**THOMAS R. WILCOX**
*Director, Executive Vice President, First National City Bank, New York*

**T. A. WILSON**
*Vice President—Operations and Planning*

**LYSLE A. WOOD**
*Group Vice President—Aerospace*

**JOHN O. YEASTING**
*Vice President—General Manager, Commercial Airplane Division, Director*

### DIRECTORS EMERITUS

DARRAH CORBET
D. A. FORWARD
FRED P. LAUDAN
J. E. SCHAEFER
DIETRICH SCHMITZ

*Claire L. Egtvedt*

Following 49 years of continuous service to the Company, Claire L. Egtvedt, chairman, has asked that his name not be submitted for re-election as a director at the annual meeting to be held April 25. With sincere regret the Board has acquiesced to Mr. Egtvedt's wishes and thus he will retire as both a director and chairman of the Company.

Mr. Egtvedt joined The Boeing Company in 1917, just one year after its formation, as a draftsman in the engineering department. In 1918 he was named chief engineer. In 1925 he became vice president and chief engineer. He was promoted to vice president and general manager of the Company in 1926 and in 1933 became president. He served as president until 1939, at which time he was named chairman of the Company.

In 1944, as chairman, he assumed the responsibility of Chief Executive Officer upon the death of the then Company President, P. G. Johnson. He served in this capacity until William M. Allen was named President in 1945.

Generally recognized as the "father of the four-engine bomber," Mr. Egtvedt was directly responsible for creation of the original B-17 Flying Fortress during the 1930's. Under his direction Boeing also developed two four-engine commercial aircraft during the 1930's. They were the Model 314 Flying Clipper and the Model 307 Stratoliner—the first pressurized cabin plane used in regular airline service. It was his early direction which guided the Company into the large four-engine aircraft field where it has attained singular success in production of both military and commercial airplanes in this class.

In 1957 Mr. Egtvedt was honored by the University of Washington which named him "Alumnus Summa Laude Dignatus."

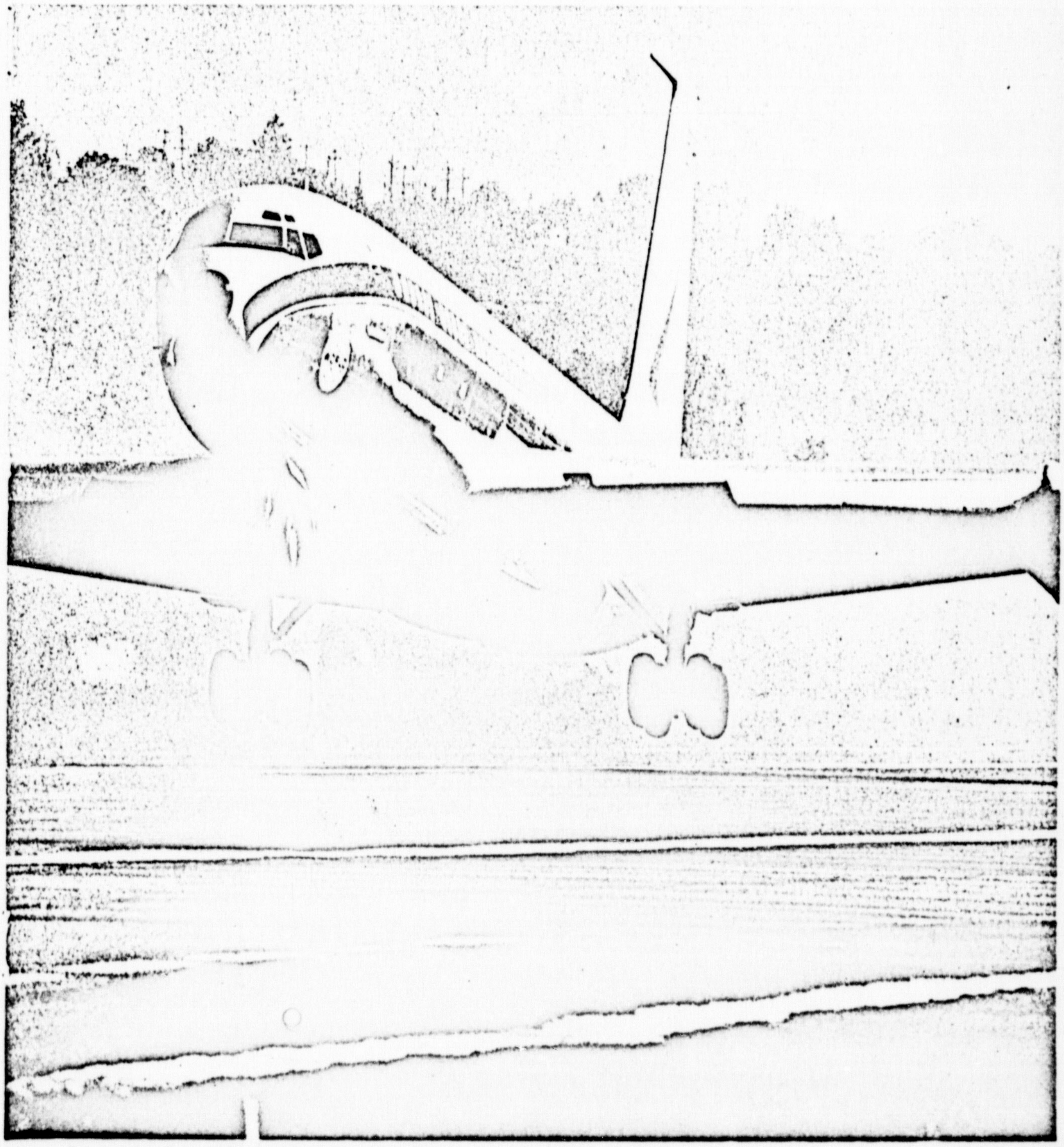
*The Boeing Company is composed of an administrative headquarters organization and seven operating divisions of which two are incorporated in a Group administration. Headquarters, the Space Division and Missile and Information Systems Division of the Aerospace Group, the Supersonic Transport Division, the Turbine Division and the Commercial Airplane Division are located in the Seattle, Washington area. The Wichita Division is located in Wichita, Kansas, and the Vertol Division is in the Philadelphia, Pennsylvania area.*

*The Space Division's Launch Systems Branch conducts its principal operations in New Orleans, Louisiana and Huntsville, Alabama, with the division's Space Craft Programs operation in Seattle. The Boeing Atlantic Test Center is a Space Division operation at Cape Kennedy, Florida.*

*The Company has two wholly owned subsidiaries—Boeing of Canada, Limited, located in Arnprior, Ontario, and Boeing International Corporation with principal offices in Seattle.*

| | |
|---|---|
| GENERAL COUNSEL | HOLMAN, MARION, PERKINS, COIE & STONE |
| GENERAL AUDITORS | TOUCHE, ROSS, BAILEY & SMART |
| TRANSFER AGENT | FIRST NATIONAL CITY BANK, NEW YORK CITY |
| REGISTRAR | BANKERS TRUST COMPANY, NEW YORK CITY |

THE BOEING COMPANY
GENERAL OFFICES—7755 EAST MARGINAL WAY—SEATTLE, WASHINGTON 98124



*Proof of the product—Production flight test takeoff*

BOEING ANNUAL REPORT 1965

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3/25/66

FROM: News Bureau
The Boeing Company
Seattle, Washington 98124

FOR IMMEDIATE USE

Released March 25, 1966

DEBENTURE CONVERSION DATE MARCH 29

Final date for conversion of The Boeing Company's 4½ per cent convertible subordinated debentures to Boeing common stock is Tuesday, March 29, as announced in advertising by the company on March 8, 9 and 10.

The conversion rights provide for issuance of two shares of common stock in the company for each $100 bond. The company's notice of redemption announced that all outstanding debentures would be redeemed on or after April 8 at the redemption price of 103.25 per cent of their principal amount, together with accrued interest to that date.

Closing price of the stock as of March 25 was $154.5, representing a substantial advantage to holders of the bonds if the conversion is elected.

From January 1, 1965 through March 25, 1966, the sales price for the common stock of The Boeing Company ranged from a high of $175.25 to a low of $60.375 per share. As was pointed out in the notice of redemption, so long as the market price of the common stock is $52.24 or more per share, a debenture holder would receive upon conversion before the March 29 deadline, common stock having a greater value than the cash he would receive if he surrendered the debenture for redemption.

032566

**STATE OF NEW YORK**
**CITY AND COUNTY OF NEW YORK** } ss:

[illegible]

being duly sworn, states that he is Advertising Clerk of the Publisher of THE WALL STREET JOURNAL, a daily newspaper published and of general circulation in the City and County of New York, in the City of Chicago, Cook County, Illinois, in the City and County of San Francisco, California, and in the City and County of Dallas, Texas and that the Notice of which the annexed is a copy has been regularly published in the said THE WALL STREET JOURNAL in each of the above cities for

______________________ insertion

______________________

______________________

in the year of our Lord Nineteen Hundred and ________

______________________

Sworn to before me this

________ day of

________ 19__

---

# The Boeing Company

(formerly Boeing Airplane Company)

## Notice of Redemption of

## 4½% Convertible Subordinated Debentures, due July 1, 1980

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated July 1, 1958, between Boeing Airplane Company (now The Boeing Company) (hereinafter called the Company) and The Chase Manhattan Bank (now The Chase Manhattan Bank [National Association]), Trustee, the Company has exercised its option to and will redeem, on April 8, 1966, all of its outstanding 4½% Convertible Subordinated Debentures, due July 1, 1980 (hereinafter called the Debentures), at the redemption price of 103.25% of the principal amount thereof, together with accrued interest to said redemption date.

On and after April 8, 1966, interest on the Debentures shall cease to accrue and the coupons for interest maturing after said date shall be void.

Payment of the redemption price, with accrued interest to the date fixed for redemption, will be made at the principal office of the Trustee upon presentation and surrender for redemption, on or after April 8, 1966, of the Debentures with all coupons appertaining thereto, if any, maturing after the date fixed for redemption. Coupons maturing prior to the redemption date should be detached and surrendered for payment in the usual manner. The Debentures should be presented at The Chase Manhattan Bank N.A. (Corporate Agency Department), 80 Pine Street, New York, New York 10015.

### CONVERSION RIGHT

Subject to the provisions of the Indenture, the holder of a Debenture is entitled at his option to convert such Debenture, or any portion thereof which is $100 principal amount or a multiple thereof, into shares of Capital Stock of the Company. This right of conversion will terminate at the close of business on March 29, 1966. The conversion rate now in effect is 2 shares of Capital Stock for each $100 principal amount of Debentures. As provided in the Indenture no adjustment shall be made for interest accrued on any Debenture surrendered for conversion or for dividends on shares of Capital Stock issuable upon conversion of any Debenture.

From January 1, 1965 through March 3, 1966, the sales price for the Common Stock of the Company on the New York Stock Exchange ranged from a high of $175.25 to a low of $60.375 per share. On March 3, 1966, the last sale of such Common Stock on such Stock Exchange was at $158.25 per share. So long as the market price of Common Stock is $52.24 or more per share, a Debentureholder would receive, upon conversion of Debentures, Common Stock having a greater market value than the cash which such holder would receive if he surrendered Debentures for redemption.

**The Boeing Company**
*By* DEAN D. THORNTON, Treasurer

Dated: March 8, 1966

**State of New York**
CITY AND COUNTY OF NEW YORK } ss.

# The Boeing Company

(formerly Boeing Airplane Company)

## Notice of Redemption of

## 4½% Convertible Subordinated Debentures, due July 1, 1980

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated July 1, 1958, between Boeing Airplane Company (now The Boeing Company) (hereinafter called the Company) and The Chase Manhattan Bank (now The Chase Manhattan Bank [National Association]), Trustee, the Company has exercised its option to and will redeem, on April 8, 1966, all of its outstanding 4½% Convertible Subordinated Debentures, due July 1, 1980 (hereinafter called the Debentures), at the redemption price of 103.25% of the principal amount thereof, together with accrued interest to said redemption date.

On and after April 8, 1966, interest on the Debentures shall cease to accrue and the coupons for interest maturing after said date shall be void.

Payment of the redemption price, with accrued interest to the date fixed for redemption, will be made at the principal office of the Trustee upon presentation and surrender for redemption, on or after April 8, 1966, of the Debentures with all coupons appertaining thereto, if any, maturing after the date fixed for redemption. Coupons maturing prior to the redemption date should be detached and surrendered for payment in the usual manner. The Debentures should be presented at The Chase Manhattan Bank N.A. (Corporate Agency Department), 80 Pine Street, New York, New York 10015.

### CONVERSION RIGHT

Subject to the provisions of the Indenture, the holder of a Debenture is entitled at his option to convert such Debenture, or any portion thereof which is $100 principal amount or a multiple thereof, into shares of Capital Stock of the Company. This right of conversion will terminate at the close of business on March 29, 1966. The conversion rate now in effect is 2 shares of Capital Stock for each $100 principal amount of Debentures. As provided in the Indenture, no adjustment shall be made for interest accrued on any Debenture surrendered for conversion or for dividends on shares of Capital Stock issuable upon conversion of any Debenture.

From January 1, 1965 through March 3, 1966, the sales price for the Common Stock of the Company on the New York Stock Exchange ranged from a high of $176.25 to a low of $60.375 per share. On March 3, 19 [illegible] the last sale of such Common Stock on such Stock Exchange was at $155.25 per share. [illegible] long as the market price of Common Stock is $52.24 or more per share, a Debentureholder [illegible] would receive, upon conversion of Debentures, Common Stock having a greater market va [illegible] than the cash which such holder would receive if he surrendered Debentures for redem [illegible]

**The Boeing Company**
By DEAN D. THORNTON, Treasurer

Dated: March 8, 1966

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HERBERT F. BROWN being duly sworn says he is the principal clerk of the Publisher of The New York Times a daily newspaper of general circulation printed and published in the City and County of New York, that the advertisement hereto annexed has been regularly published in the said The New York Times one time.

To wit on MARCH 28 1966

Sworn to before me this 28TH DAY OF MARCH 1966

Herbert F. Brown

Frederick J. Rogoish
FREDERICK J. ROGOISH
Notary Public, State of New York
No. 24-3232240
Qualified in Kings County
Cert. Filed in New York Co.
Commission Expires March 30, 1967

April 11, 1966

1-9500-1-127

Mr. John Howard
Corporate Trust Officer
Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

Dear Mr. Howard:

This will confirm verbal authorization of Peter J. Leveton April 5, 1966, to transfer $1,616,040.00 from The Boeing Company account at your bank, to a special redemption account for The Boeing Company 4-1/2% Convertible Subordinated Debentures.

The above transfer will provide funds required to cover the following items:

| | |
|---|---|
| Outstanding Principal | $1,547,000.00 |
| Premium at $3.25 per $100.00 | 50,277.50 |
| Accrued Interest payable, January 1, 1966 through April 7, 1966, 97 days at 4-1/2% | 18,757.38 |
| "Fudge Factor" for interest breakage | 5.12 |
| | $1,616,040.00 |

Through Report # 226

Yours very truly,

THE BOEING COMPANY

Original Signed by
Dean D. Thornton

Dean D. Thornton
Treasurer

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April 26, 1966

1-9500-1-163

Mr. John L. Howard
Corporate Trust Officer
The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

Dear Mr. Howard:

This will confirm our verbal authorization to transfer $5,014.20 from The Boeing Company account at your bank to a special redemption account for The Boeing Company 4½% Convertible Subordinated Debentures.

The above transfer will provide funds required to cover the following items:

| | |
|---|---|
| Outstanding Principal | $ 4,800.00 |
| Premium | 156.00 |
| Accrued interest payable | 58.20 |
| | $ 5,014.20 |

Yours very truly,

THE BOEING COMPANY

Dean D. Thornton
Treasurer

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DT. 47

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the month of March, 1968

THE BOEING COMPANY

(Exact name of registrant as specified in charter)

7755 E. Marginal Way South, Seattle, Washington 98124

(Address of principal executive offices)

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**Item 12.** Other Materially Important Events

The Boeing Company Voluntary Savings Plan which was adopted by the Board of Directors on October 25, 1965, as a result of collective bargaining negotiations during the fall of 1965 and became effective December 1, 1965, was described in the proxy statement filed with the Commission on March 25, 1966, which hereby is incorporated by reference.

**Item 13.** Financial Statements and Exhibits

(b) Exhibit

(1) Booklet containing Voluntary Savings Plan of the Company as amended and a description thereof.

(2) Trust Agreement relating to Voluntary Savings Plan as amended.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Boeing Company

(Registrant)

S/H. V. Kohr

H. V. Kohr
Assistant Secretary

April 11, 1966
(Date)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON

# FORM 8-K

# CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the month of April, 1966

THE BOEING COMPANY

(Exact name of registrant as specified in charter)

7755 E. Marginal Way South, Seattle, Washington 98124

(Address of principal executive offices)

**Item 7.** Increase in amount of Securities Outstanding.

The number of shares of capital stock of the Company of the par value of $5.00 per share last reported outstanding as of April 30, 1960, was 7,071,647 shares.

By resolutions of the Board of Directors on March 11, 1963, March 8, 1965, and February 28, 1966, it was directed that authorized but unissued stock be used in partial payment of Incentive Compensation awards for the years 1962, 1964 and 1965, made pursuant to the Incentive Compensation Plan of the Company. Accordingly, a total of 26,272 shares were issued during the period May 1, 1960, through April 30, 1966.

As reported on this form for the month of April 1960, as a part of the acquisition of the property and assets of Vertol Aircraft Corporation, this Company assumed the obligations of Vertol under the Vertol Stock Option Plan with respect to all options outstanding on the closing date. These options were amended to provide for the issuance of two shares of Boeing stock in lieu of three shares of Vertol at 150% of the Vertol option price, subject to adjustment for fractional shares. Accordingly, during the period January 1, 1961, when shares could be issued upon exercise of former Vertol options and February 1964, when the last of such options expired, 18,404 shares were issued upon the exercise of such options.

In accordance with the Stock Option Plan of The Boeing Company adopted by the stockholders at the annual meeting held May 6, 1958, the Committee administering said Plan has granted stock options at various times since. Accordingly, from December 15, 1960, when option shares first became exercisable through April 30, 1966, 66,349 shares have been issued upon exercise of options under the Company's Stock Option Plan.

By reason of the issuance of the Company's 4½% Convertible Subordinated Debentures due July 1, 1980, in July 1958, shares of stock have been issued upon the presentation of such debentures for conversion. Since the last reported issuance of shares for conversion through December 31, 1959, 580,012 shares have been issued upon conversion through March 29, 1966. This date was the last day for such conversion of these debentures under their call which was issued March 8, 1966. The shares issued upon such conversion were on the basis of two shares for each $100 principal amount of said debentures.

In accordance with the foregoing, the total number of shares outstanding on April 30, 1966, was 8,662,684 shares.

No cash proceeds resulted from the above transactions except for the exercise of stock options under the Vertol and Boeing Stock Option Plans. In no case were underwriters required. The full option price per share issued under the Stock Option Plans was credited to the Capital Stock Account in accordance with resolution of the Board of Directors on October 31, 1960. Such funds have been used for general corporate purposes.

The additional shares issued in partial payment of awards under the Company's Incentive Compensation Plan were not registered under the Securities Act of 1933 for the reason that no sale was involved under the meaning of Section 2(3) of that Act in connection with their issue. The additional shares issued under the Stock Option Plans were registered under S-8 Registration No. 2-17376. The additional shares issued upon conversion of debentures were registered under S-1 Registration No. 2-14218.

**Item 8.** Decrease in Amount of Securities Outstanding.

The Company's issue of 4½% Convertible Subordinated Debentures due July 1, 1980, were called on March 8, 1966, the redemption date being fixed as April 8, 1966. Under terms of the Indenture, conversion was permitted through March 29, 1966. As of March 29, 1966, $29,033,200 principal amount of the debentures were converted. $1,544,400 was deposited with the Trustee for redemption of the remaining principal amount plus additional funds to pay the call premium and interest from January 1 to April 8, 1966. Accordingly, on April 30, 1966, this debenture issue is no longer outstanding.

**Item 10.** Restatement of Capital Share Account.

The stated value of the capital stock of the Company at the close of business on April 30, 1960, was $126,560,775.

By reason of the issuance of stock under the Company's Incentive Compensation Plan from April 1, 1966, through April 30, 1966, the Capital Stock Account of the Company was increased by $1,608,517, which amount represents the approximate aggregate market value of the total of 26,272 shares issued.

In accordance with resolutions of the Board of Directors on September 19, 1960, the full consideration received, net of expenses, upon conversion of the 4½% Convertible Subordinated Debentures due July 1, 1980, was credited to the Capital Stock Account of the Company, from December 31, 1960, through March 29, 1966, an amount of $28,727,573.

In accordance with resolutions adopted by the Board of Directors on October 31, 1960, the full consideration received upon exercise of options under the Vertol and Boeing Stock Option Plans was to be credited to the Capital Stock Account. From January 1, 1961, through April 30, 1966, the amount of $2,865,739 was so credited upon exercises of such stock options.

In accordance with the foregoing, the stated value of the Capital Stock Account of the Company at the close of business on April 30, 1966, was $159,762,609.

**Item 11.** Submission of Matters to a Vote of Security Holders

(a) Date of Annual and Special Meetings, April 25, 1966.

(b) Other Matters Voted upon at the Special Meeting.

At the Special Meeting it was moved that

"The Employee Financial Security Plan in the form submitted to and approved by the Board of Directors at its meeting on February 28, 1966, and as described in the proxy statement for the Annual and Special Meetings of Stockholders shall be adopted."

| | |
|---|---|
| Affirmative votes | 6,359,701.75 |
| Negative votes | 80,807.00 |

Further, it was moved that

"Article FOURTH of the Certificate of Incorporation shall be amended to read as follows:

> "FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 20,000,000 of the par value of $5.00 each.
>
> In addition to the shares of such stock issued prior thereto for such purposes, the Corporation shall have the right from time to time after April 25, 1966, to issue and sell to officers or employees of the Corporation or its subsidiaries not exceeding in the aggregate 266,234 shares of such stock at such prices and pursuant to such other terms and conditions as shall be provided by such stock purchase, stock option, bonus, profit sharing or incentive compensation plan or plans and amendments thereto as shall, from time to time, be adopted, and no stockholder shall have any preemptive right to subscribe to any shares of such stock so issued and sold; provided, that after April 25, 1966, upon declaration by the Board of Directors of any stock dividend, and irrespective of the limitations previously stated, the number of unissued shares of the Corporation's stock authorized for issuance and sale to officers and employees of the Corporation or its subsidiaries for such purposes and in regard to which no stockholder shall have any preemptive right, shall be the number of unissued shares of such stock immediately prior to such declaration, increased at the declared rate of such stock dividend; provided further, that the authorization to issue shares for the purposes herein stated shall not limit the authority of the Corporation to issue any authorized but unissued shares for any other lawful corporate purpose."

| | |
|---|---|
| Affirmative votes | 6,373,224.75 |
| Negative votes | 67,703.50 |

Further, it was moved that

"Article FOURTH of the Certificate of Incorporation be further amended by adding thereto the following paragraph:

> "Effective as of August 1, 1966, the stock of the Corporation shall be changed to eliminate all fractions of one share that may then exist. In lieu of each such fraction of one share there shall be created a money obligation of the Corporation in an amount equal to said fraction multiplied by the closing price per share of such stock on the New York Stock Exchange on August 1, 1966, such amount to be paid by the Corporation after such date to the person or persons entitled thereto conditioned only upon the surrender of the fractional share certificate to the Corporation's Transfer Agent. No money obligation or payment provided for in this paragraph shall be a charge upon or against the Capital Stock Account of the Corporation."

| | |
|---|---|
| Affirmative votes | 6,417,636.25 |
| Negative votes | 23,213.00 |

66/ +

Item 13. Financial Statements and Exhibits.

(b) Exhibits

(1) Employee Financial Security Plan and amendment thereto dated April 25, 1966, hereby are incorporated by reference to Exhibit 13(j) of the Company's Registration Statement No. 2-24927 filed with the Commission May 3, 1966.

(2) Form of Trust Agreement relating to Employee Financial Security Plan hereby is incorporated by reference to Exhibit 13(k) of the Company's Registration Statement No. 2-24927 filed May 3, 1966.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Boeing Company

(Registrant)

S/H. V. Kohr

H. V. Kohr
Assistant Secretary

May 10, 1966
(Date)

Thomas A. Brennan, D.D.S.
450 Sutter Building
San Francisco, California

Dear Mr. Brennan:

This letter is in response to your inquiry regarding your 4½% Convertible Subordinated Debentures.

As you may be aware, these debentures were called for redemption on April 8, 1966, pursuant to previous notice given in accordance with the terms of the Indenture to which the debentures were subject. As provided in the Indenture, the rights of holders to convert their debentures into capital stock of the Company expired on March 29, 1966. The Boeing Company is sorry that you did not become aware of the call of the debentures in time to exercise your conversion rights. Your redemption payment may be received by forwarding your debentures to the Chase Manhattan Bank, Corporate Agency Department, 80 Pine Street, New York, New York 10015.

We take this opportunity to advise you of the pending litigation in the United States District Court for the Southern District of New York (Van Gemert, et al v. The Boeing Company, 66 Civ. 1820), brought by a number of debenture holders on behalf of themselves and all other debenture holders who failed to exercise their conversion rights prior to their expiration. The plaintiff debenture holders seek the extension of the period in which the debentures may be converted, or, alternatively, for damages. In the Van Gemert case The Boeing Company has taken the position that debenture holders who failed to exercise their conversion rights prior to the expiration of such rights on March 29, 1966, have no remedies other than to receive their redemption payment. The judgment in that case is expected to resolve this issue. Notice of a show cause hearing in the Van Gemert case to be held in New York on September 6, 1966, has been or will be forwarded to you.

c9 c̄

September 18, 1967

Mr. William M. Friend
1000 Clifton Avenue
Clifton, N. J. 07013

Re: Estate of Christ Kosmos

This is in response to your letter of September 7, 1967, concerning our 4-1/2% Convertible Subordinated Debentures which were called for redemption on April 8, 1966.

There have been a number of lawsuits commenced against The Boeing Company by debenture holders who failed to convert their debentures into capital stock of the company prior to the expiration of the conversion privilege on March 29, 1966. Plaintiffs in these lawsuits on behalf of themselves and other debenture holders similarly situated, have sought to compel the extension of the period in which conversion might be accomplished or alternatively, they have asked for money damages.

In one of the above cases (Van Gemert, et al, v. The Boeing Company, et al, U. S. District Court, Southern District of New York) a show cause hearing was held in New York on September 6, 1966, to determine whether that lawsuit should be tried as a class action pursuant to Federal Rule of Civil Procedure 23(b)(1) and (2). In an opinion filed by the court on September 27, 1966, the court declared the Van Gemert case to be a class action under the above rule and also ordered the consolidation with the principal case of certain other lawsuits which had previously been transferred to New York. As a result of the above, it is expected that when the final judgment is rendered in the Van Gemert case that it will be binding upon The Boeing Company and upon debenture holders who constitute the class.

We believe that you should be advised that in the Van Gemert case The Boeing Company's position is that all debenture holders who may have redeemed their debentures have waived any rights which debenture holders may establish to convert their debentures into the capital stock of the company or for damages.

Should your client wish to have his debentures redeemed in light of the foregoing, his redemption payment may be received by forwarding his debentures to The Chase Manhattan Bank, Corporate Agency Department, 80 Pine Street, New York, New York 10015.

Yours very truly,

Dean D. Thornton
Treasurer

You should also be advised that in the Van Gemert case The Boeing Company has taken the position that all debentureholders who have redeemed their debentures have waived any rights which debentureholders may establish to convert their debentures into the capital stock of the Company, or for damages.

Because of the pendency of the above litigation, we do not wish you to interpret this letter as giving you any advice concerning what action you should take. We hope, however, that the above information may be of some assistance to you. We recommend that you consult with your attorney for any legal advice which you may feel is required.

Yours very truly,

THE BOEING COMPANY

Dean D. Thornton,
Treasurer

J.S.W. 48

August 18, 1966

Mr. Norman Winer
Nathan, Mannheimer, Asche,
Winer & Friedman
295 Madison Avenue
New York, New York

Dear Mr. Winer:

Your letter dated August 12, 1966, has been referred to us as general counsel for The Boeing Company for reply. In your letter you indicated that your wife, Bertha J. Winer, and your daughter, Joanne W. Finn, are the owners of certain 4½% convertible subordinated debentures of The Boeing Company. Your demand that The Boeing Company offer to deliver to either of them the shares to which they would have been entitled had they exercised their conversion rights must be refused and, accordingly, any tender of these debentures to The Boeing Company will not accomplish the object of your demand.

As you may be aware, these debentures were called for redemption on April 8, 1966, pursuant to previous notice given in accordance with the terms of the Indenture to which the debentures were subject. As provided in the Indenture, the rights of holders to convert their debentures into capital stock of the Company expired on March 29, 1966. The Boeing Company regrets that your wife and daughter did not become aware of the call of the debentures in time to exercise their conversion rights. Redemption payment may be received by forwarding the debentures to the Chase Manhattan Bank, Corporate Agency Department, 80 Pine Street, New York, New York 10015.

68 X 5

We take this opportunity to advise you of the pending litigation in the United States District Court for the Southern District of New York (*Van Gemert, et al v. The Boeing Company*, 66 Civ. 1820), brought by a number of debentureholders on behalf of themselves and all other debentureholders who failed to exercise their conversion rights prior to their expiration. The plaintiff debentureholders seek the extension of the period in which the debentures may be converted, or, alternatively, for damages. In the *Van Gemert* case The Boeing Company has taken the position that debentureholders who failed to exercise their conversion rights prior to the expiration of such rights on March 29, 1966, have no remedies other than to receive their redemption payment. The judgment in that case is expected to resolve this issue. Notice of a show cause hearing in the *Van Gemert* case to be held in New York on September 6, 1966, has been or will be forwarded to you.

You should also be advised that in the *Van Gemert* case The Boeing Company has taken the position that all debentureholders who have redeemed their debentures have waived any rights which debentureholders may establish to convert their debentures into the capital stock of the Company, or for damages.

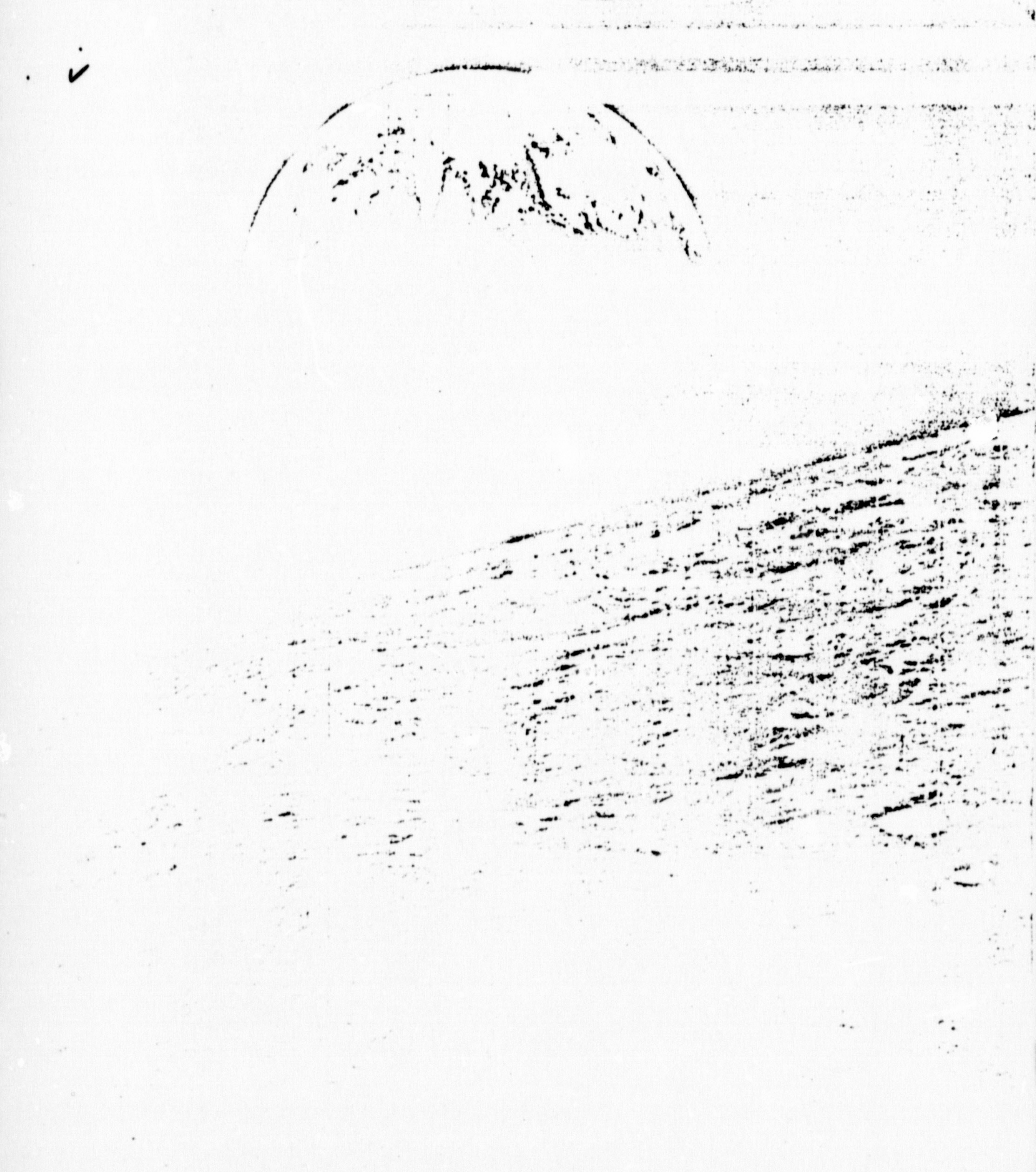
Yours very truly,

HOLMAN, MARION, PERKINS,
COIE & STONE

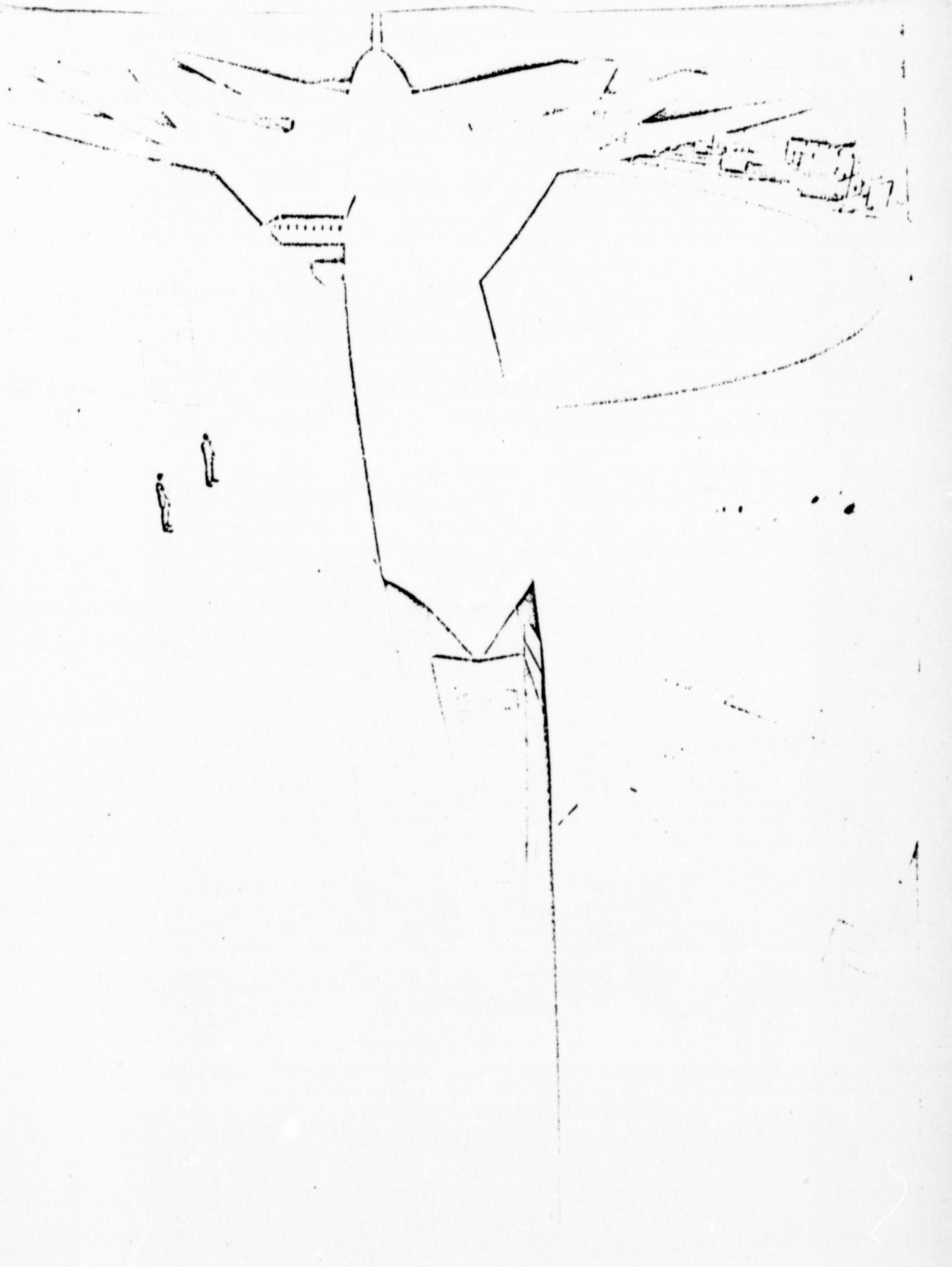
By
John H. Binns, Jr.

JHB:gim

cc: Mr. James E. Prince



# BOEING ANNUAL REPORT 1966



# BOEING ANNUAL REPORT 1966

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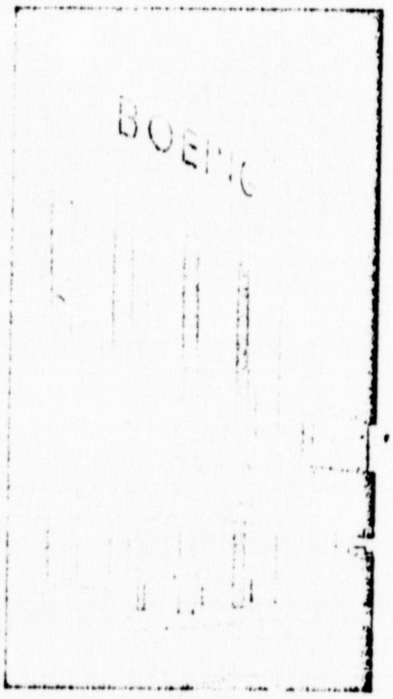


COVER: Boeing-built Lunar Orbiter provided NASA with spectacular photo of Earth as seen from moon

INSIDE COVER: A full scale mock-up of Boeing's 1800 mile-an-hour supersonic transport design

Annual meeting of Boeing stockholders will be held at the offices of the company, Seattle, Washington, on April [illegible], 1967. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about March [illegible].

## HIGHLIGHTS

| | *1966* | *1965* |
|---|---|---|
| Sales | $2,356,567,000 | $2,023,402,000 |
| Net earnings | 76,133,000 | 78,268,000 |
| Dividends paid | 20,151,000 | 20,256,000 |
| Net earnings per share | $4.13 | $4.78 |
| Dividends paid per share | 1.10 | 1.25 |
| Per cent net earnings to sales | 3.2% | 3.9% |
| Shares outstanding at year end | 19,496,519 | 16,374,280 |
| Book value per share | $28.91 | $22.70 |
| Salaries and wages | $1,147,750,000 | $ 813,136,000 |
| Average number of employees | 128,500 | 93,400 |
| Additions to property, plant and equipment | $ 294,600,000 | $ 67,800,000 |
| Depreciation and amortization of property, plant and equipment | 40,168,000 | 25,489,000 |
| Backlog | $5,282,600,000 | $3,148,000,000 |

Note: Per share data adjusted for stock split, and based as follows:
1966 – Average number of shares outstanding during the year.
1965 – Number of shares outstanding at end of year.

# PRESIDENT'S MESSAGE

To the Stockholders:

Outstanding achievements and significant developments, which will affect your Company well into the future, highlighted the fiftieth anniversary year. Sales of just under $2.4 billion during 1966 were the highest in the Company's history, although net earnings of 76.1 million were approximately 3% below the 1965 record earnings of $78.3 million. The major expansion program under way in 1966, higher charges against earnings relating to new commercial jet transport programs, and the many operational problems encountered during the year on commercial programs resulted in increased costs and, in turn, somewhat lower profit margins.

Among the achievements and developments of the year were:

Spectacular success of the Lunar Orbiter, the Company's first entry of a payload vehicle in the space program;

Selection of Boeing by the Air Force to produce SRAM, a short-range, air-to-ground missile;

Attainment of sales and backlog which were the highest in the history of the Company and the industry;

Receipt of orders for 93 of the Company's new 747 superjets from 15 airlines for a total of $1.8 billion in the first five months period following decision to go ahead on the program – the largest pre-production order in the history of the industry;

Consummation of a major financing program to provide the capital necessary for facilities expansion, jet transport financing programs and working capital requirements. Stockholder investment was increased by more than 50 per cent during the year and arrangements were made for additional long-term debt and substantial lines of bank credit;

Authorization for facilities totaling $350 million, these facilities to provide capacity and flexibility for growth in the several fields of Company activity;

And as a climax, on the last day of the year, announcement that the Company was the winner in the design competition for the American supersonic transport program.

During 1966, Boeing delivered 218 commercial airliners, 34 short of the goal announced for the year in the last annual report. It had on order at the year end 598 airliners, including 93 model 747s and 124 model 737s. Delivery of 272 aircraft is currently projected for the year.

Boeing's military production during the year consisted of helicopters and missiles, plus modernization and maintenance of B-52 bombers. Under government direction, Vertol production rates on both the Chinook and Sea Knight helicopters were doubled in 1965 and increased again in 1966.

Minuteman missile production continued to be one of the Com-

Newest, smallest Boeing jetliner is the twin-engine 737, christened by 17 airline stewardesses in January of 1967 pany's most satisfactory government programs. During the year, work was underway on the installation of the last 200 Minutemen. These 200 are Minuteman II versions, improved in range and accuracy. The remaining 800 are Minuteman I versions now scheduled to be replaced gradually by Minuteman II missiles in a modernization program.

Under the contract obtained for the short-range air-to-ground missile, SRAM, design work is under way, with production of test missiles to follow.

The Wichita Division, in addition to increased support for other divisions in their programs, continued modernization of B-52 bombers, many for service in Viet Nam.

In space activities, 1966 was highlighted by the two very successful flights of the Boeing-built Lunar Orbiters, which accomplished their basic missions and also provided some of the most spectacular photographs ever taken – the world as seen from space; the curiosities of the Copernicus crater on the moon. Additional Lunar Orbiter flights are scheduled during 1967.

Boeing's work on Saturn V increased substantially. Its systems integration and engineering work at Huntsville, Alabama, was stepped up and crews prepared for firings of a ground test version of the S-1C at the Mississippi Test Facility. At Cape Kennedy, the company's role in support of assembly, test and launching also was expanded during the year.

A relatively unpublicized program, construction of Burner II, an upper stage boost vehicle for use with a Thor rocket, also resulted in success. The first Burner II was launched during the year by the Air Force and performed its classified mission as scheduled.

By late in 1966, the ambitious 747 program was well under way, with major engineering in progress, and mockups prepared. With deliveries to begin in September, 1969, both facilities and production schedules are extremely tight.

But not the 747, the successful photo missions to the moon, the rise of employment to more than 130,000 persons, the addition of millions of square feet to facilities nor any other development within the Company provided the climactic drama for Boeing during the year. That came on December 31 when Federal Aviation Administrator William F. McKee announced that Boeing was the winner of the supersonic transport design competition. As this is written, additional decisions remain to be made: whether production of prototype SST aircraft is to proceed; what time schedule may be desired; what monies may be appropriated for the U.S. government's recoverable share in the costs. These are decisions for the executive and legislative branches of the federal government, and comment on them is not appropriate. In the meantime, SST engineering and design work continues by Boeing and by General Electric Corporation, the successful engine designer, on month-to-month contracts.

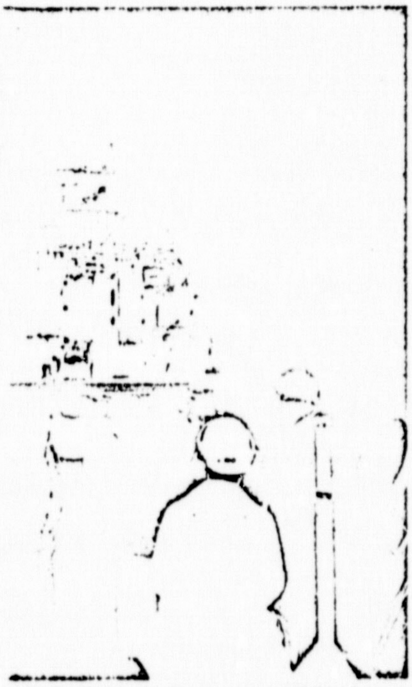
But the competition between American designers – an arduous, intensive and often frustrating competition which has occupied many of Boeing's most competent engineers and scientists for years – ended on December 31.

It was a gratifying note on which to end the year which marked the company's fiftieth anniversary.

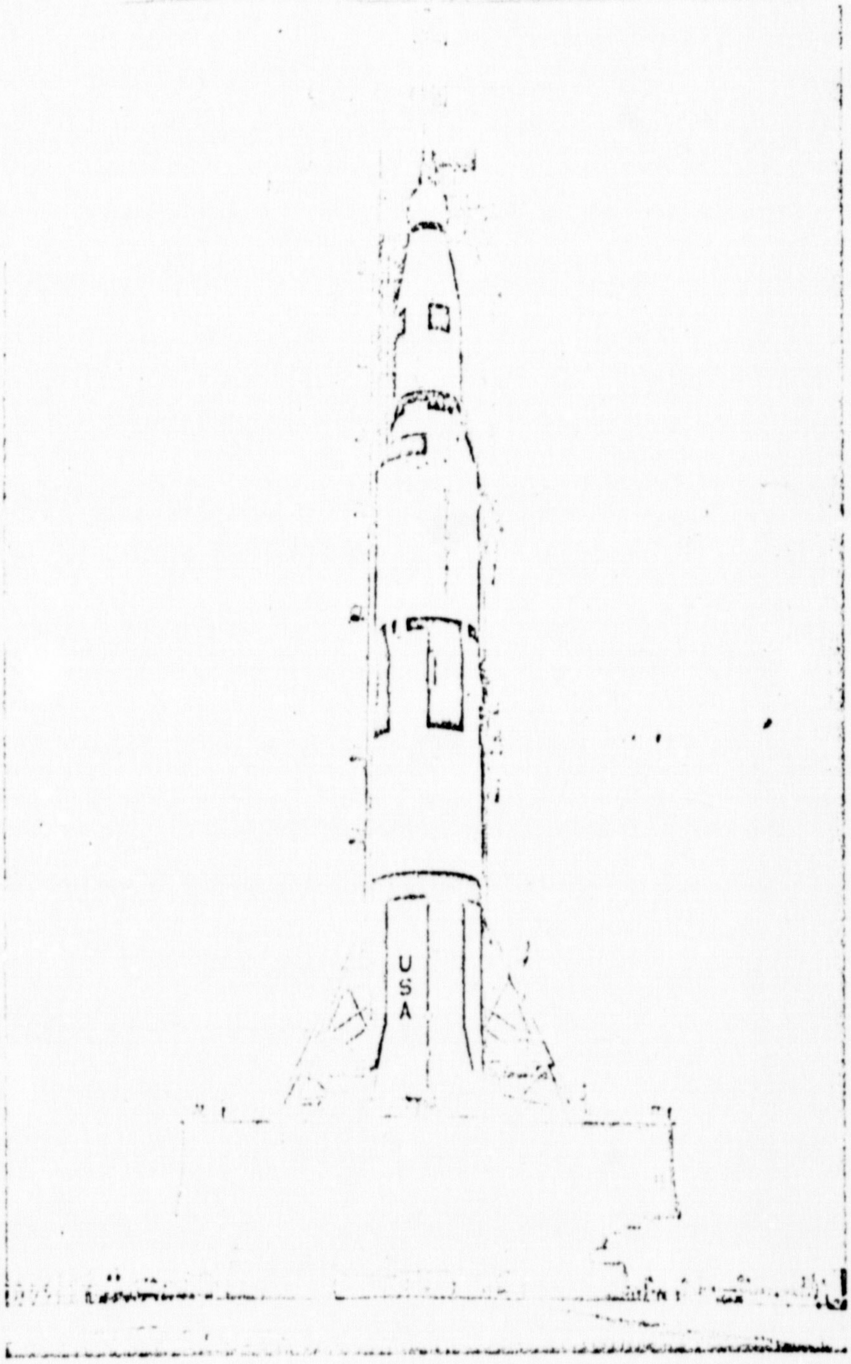
*President*

February 27, 1967

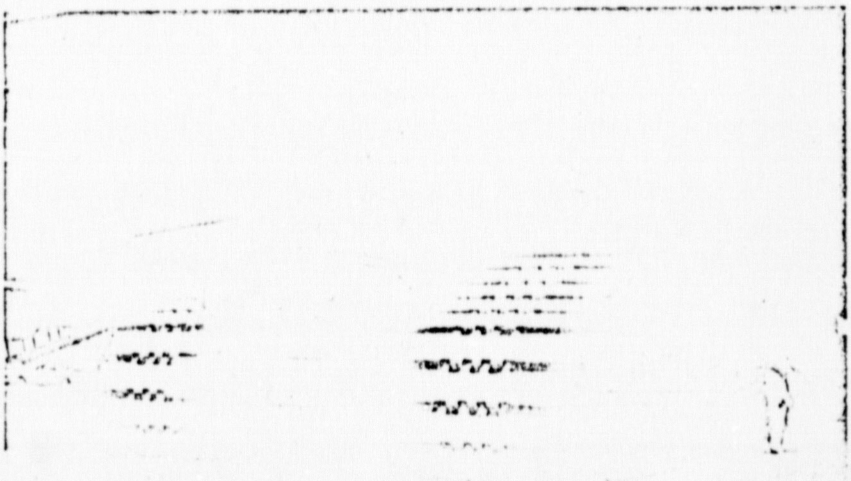
Negative votes " 20,213.00



oeing-built Burner II, an upper stage
ehicle launched from a Thor booster,
erformed successfully on first flight



Components of Saturn V were assembled into immense rocket for tests at Cape Kennedy in U.S. Apollo space program



Boeing builds first stage for Saturn V, which requires this monster transporter for move to Florida beach launching pad

# SPACE ACTIVITIES

Camera of Lunar Orbiter sent back to Earth this photo of the Crater of Copernicus on face of the moon

**In August, 1966, a Boeing-built spacecraft, NASA's Lunar Orbiter I, was hurled toward the moon and placed in orbit. As a talented robot, it obediently circled the moon while taking more than 400 photographs and transmitting them to earth tracking stations. One, showing a section of the moon in the foreground and the earth looming behind it, became perhaps the most famous photo of the year, being printed in thousands of publications and hung in more thousands of offices and homes.**

"One astronomer," reported Oran W. Nicks of NASA's Office of Space Science and Applications, "has said that more information has been obtained in one week through the Lunar Orbiter photos than over the last 50 years of study of the moon."

This mission marked Boeing's first major step into actual space exploration and highlighted the Company's participation in space programs during the year. A second Lunar Orbiter, launched in November, provided hundreds of additional photos of even greater resolution, some showing details of the moon's surface less than three feet in diameter.

Together, the two 1966 missions returned photos of about 3½ million square miles of lunar surface, much of it on the far side. On the side visible from earth, 190,000 square miles have been photographed in detail never possible with earth-based telescopes. Although the primary objective was to obtain photos of areas for possible manned landings, secondary objectives included measurements of radiation flux and meteoroid density near the moon. Lunar Orbiter data has given scientists new information about the moon's size, shape, gravity and complicated history of volcanic activity. For the first Lunar Orbiter flight alone, Boeing earned $1,895,000 in incentive awards. Additional flights are scheduled during 1967.

The Company's second major space activity, assembly of the first stage of the Saturn V interplanetary rocket plus systems engineering and support of Cape Kennedy assembly, test and launch of the complete rocket, took several visible steps forward during the year.

The first flight rocket reached Cape Kennedy and was emplaced in the huge Merritt Island launch assembly building preparatory to firing some time in 1967. Boeing is now producing complete, assembled first stages at the Michoud plant near New Orleans.

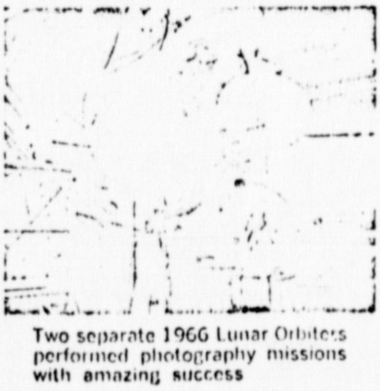
Meanwhile, the Company's role in systems integration and engineering at Huntsville, Alabama, was expanded, as were assignments given Boeing in connection with the upcoming Cape Kennedy firings. The present Michoud schedule calls for production of 14 rocket stages, with indications that at least five additional launch vehicles may be ordered by the National Aeronautics and Space Administration.

All these steps are preparations for a manned lunar mission, expected before the end of the decade.

Employment now stands at approximately 12,000 persons at the Company's three southern locations.

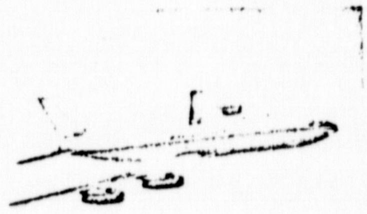
The third Boeing space effort, Burner II, scored a success in its own right when it was launched from atop a Thor booster at Vandenberg Air Force Base. The flight came only 15 months after Boeing had signed an initial contract with the Air Force Space Systems Division. This called for two ground test and three flight vehicles, but five more flight vehicles were ordered in a follow-on. The Air Force reported the first small space vehicle performed its classified mission flawlessly.

Space operations were a source of substantial earnings during the year. Ahead-of-schedule performance on the Saturn program continued to earn incentive bonuses. On-site availability of the company's engineering talent at Huntsville has earned a number of engineering and systems analysis assignments connected with space projects.

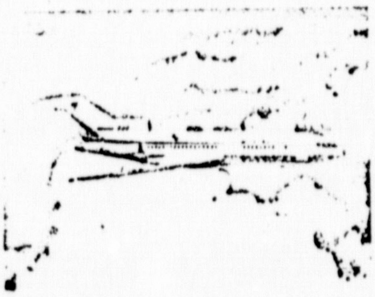


Two separate 1966 Lunar Orbiters performed photography missions with amazing success

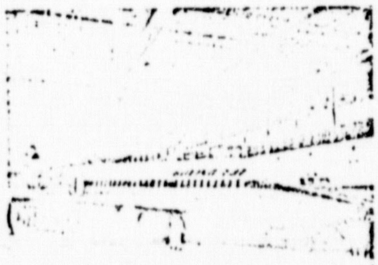
## COMMERCIAL AIRCRAFT



New air cargo service standard was set by 707-320C during 1966



The three-engine 727 has proved to be world's most popular plane



Two engines in pods identify twin-jet 737 short range jetliner

In a bold step adding another major aircraft to the Company's jet family, the Board of Directors approved a go-ahead on the 747 project.

The 747, capable of carrying up to 490 passengers, is designed to keep pace with the constantly expanding air travel market. It is offered in three configurations: all-passenger, all-cargo and convertible passenger-cargo. Its cruise speed of 625 miles per hour compares with 605 mph cruise speed for the 707-320B Intercontinental jetliner, and its range will exceed 6,000 miles. Its 110-ton cargo capacity is more than twice that of present jet freighters. Despite its huge size, the 747 will be able to operate from any existing major airport.

Pan American World Airways was the first to order the $20 million aircraft—signing for 25 of the 747s. Joining the customer list were Alitalia, American, Air France, Irish, BOAC, Continental, Japan Air Lines, Lufthansa, Northwest, Trans World Airlines, United Air Lines and World Airways. By year end orders had reached a total of 93.

To build the 747 the Everett Branch has been created within the Commercial Airplane Division. A gigantic facility is being erected at Everett, Wash., 20 miles north of Seattle. Although the costs and over-all financial risks of the program and the demands on facilities, engineering and management are substantially greater than for any of the Company's previous commercial programs, the 747 project has a profit potential warranting the risks being taken.

While major attention was focused on the 747, work on another new airliner, the twin-jet 737, proceeded close to schedule. At the opposite end of the scale from the 747, the 737 is intended primarily to serve smaller communities and short-to-medium routes.

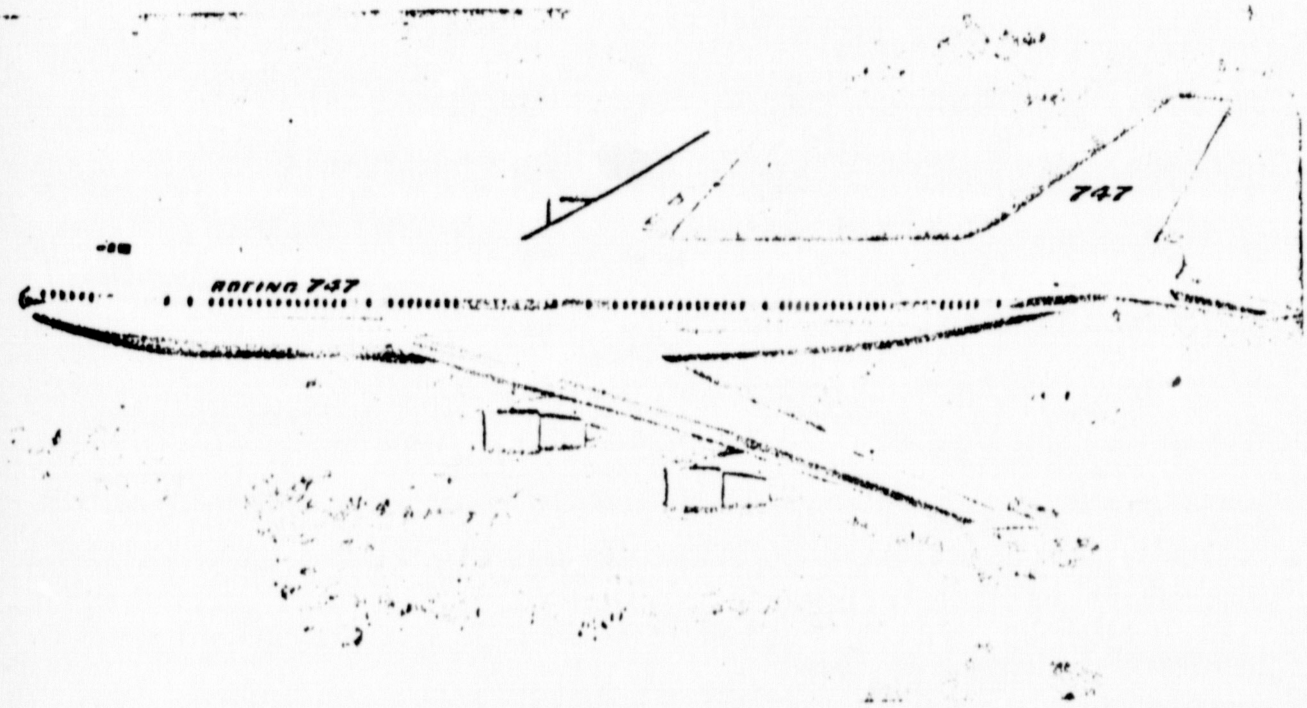
The inter-tie of Company facilities and operations is again demonstrated in the 737. While the first body sections were built in Seattle, all subsequent fuselages after the 8th are to be built in Wichita. Final assembly of the aircraft will follow in a new 737 facility in Seattle.

Although the Company entered the short-range market some two years after its principal competition, it won nine new customers during 1966, bringing the number of customers to 17 and orders for 737s to 128 by christening date of the first completed airplane on Jan. 17, 1967.

Increased emphasis on cargo and cargo-passenger convertible airplanes was a significant development during the year. Orders for all current models continued in record numbers, but the 727QC (Quick Change) created the most interest. Orders for this airplane, which can be shifted from passenger to efficient cargo plane in 30 minutes, reached 113. Orders for the -320C (Cargo Intercontinental) reached a total of 84.

Congestion on production lines for the 707, 720 and 727 models was eased shortly after year end when the new production facility at Renton was occupied. Complete shift of the 727 production line from the old final assembly building to the new facility was made in four hours on a weekend, with no interruption of production whatever.

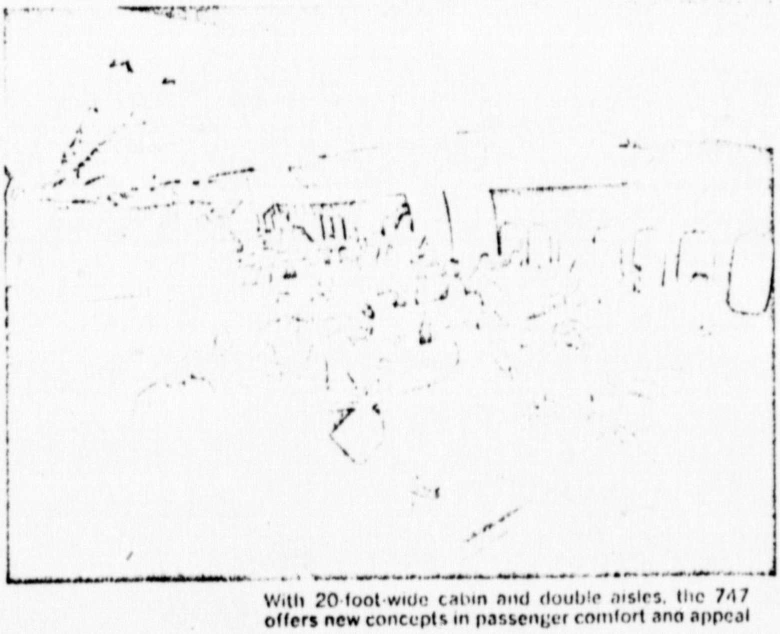
Sales during 1966 were practically on a one-a-day basis. The orders were: 99 of the 707/720s, 141 model 727s, 38 model 737s and 93 model 747s. By year end the Company had sold a total of 1,481 commercial jets since 1955. Of this number 598 are currently still to be delivered.



The 747, now being built, will be the world's fastest, largest subsonic jetliner when it flies late in 1968

**BOEING COMMERCIAL JETS:**
**THE BOX SCORE**
**January 1, 1967**

| | |
|---|---|
| Boeing Jets Ordered | 1,484 |
| Deliveries | 886 |
| Deliveries in 1966 | 218 |
| Customer Airlines | 63 |
| Operating Airlines | 50 |
| Miles Flown | 3,796,216,900 |
| Passengers Carried | 168,486,220 |
| Frequency | Average — 1 take-off or landing every 12 seconds |
| Hours Flown | 8,300,000 |
| Hours Flown, 1966 only | 1,500,000 |
| Hours Flown, average week | 50,000 |



With 20-foot-wide cabin and double aisles, the 747 offers new concepts in passenger comfort and appeal

## SUPERSONIC TRANSPORT PROGRAM

**Wings of the SST may be swept forward for take-off and landing; swept back for high-altitude cruising**

Winning of the U. S. supersonic transport design competition has been a prime new business objective of the Company for several years. That objective was attained when the Federal Aviation Agency announced, at year end, that the Boeing variable-sweep wing entry had been selected.

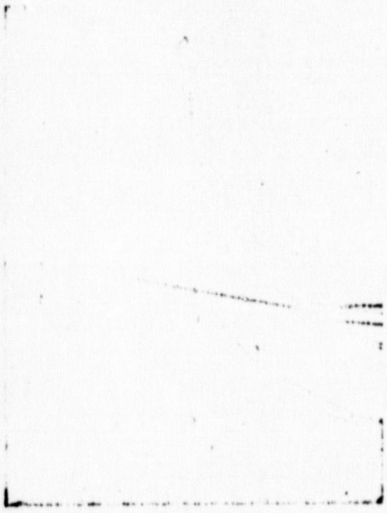
Boeing has carried on supersonic transport design studies since 1952. In 1958 the supersonic transport engineering effort was given project status, and in 1963 Boeing became one of the aircraft firms involved in the U. S. design competition, conducted by the FAA on a government-industry cost-sharing basis. The Company's proposal was submitted last September.

The winning Boeing design – evolved from a study of nearly 500 different configurations – is for a 300-passenger, 1800-mile-an-hour titanium airplane. Its variable-sweep wing will swing out to give it greater span and lift for takeoff and landing and will sweep back to 72 degrees and integrate with the horizontal tail for efficient supersonic cruising. Four General Electric engines of 60,000 pounds thrust each will power the SST.

The Company has made a heavy investment in supersonic work because it believes this type of airliner represents the next logical step forward in air transportation. Already 27 leading world airlines have reserved delivery positions for 115 U. S. SSTs.

Following announcement of the SST competition outcome, the contract covering the design development phase of the program was continued on a month-to-month basis with work going ahead on design refinement, detailed engineering, component testing, planning and preparation for SST prototype construction.

## FINANCIAL REVIEW | BOEING ANNUAL REPORT 1966



Major construction programs marked expansion of Company facilities in 1966

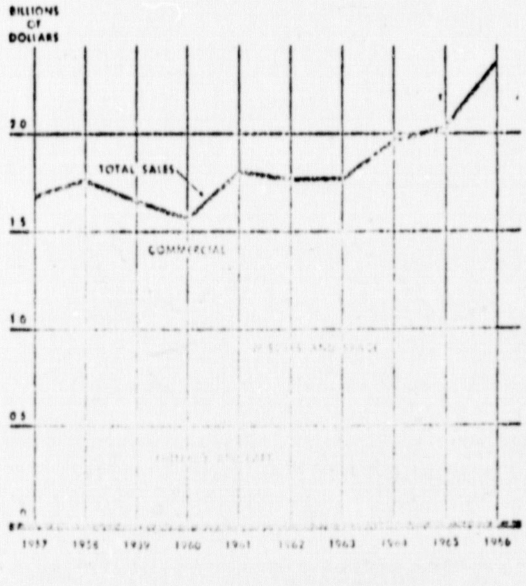
Final assembly of 727s is now housed in new Renton facility; former space is used for 707/720 production

## SALES *(in millions)*

| | *1966* | *1965* |
|---|---|---|
| Commercial | $1,232 | $1,003 |
| Missiles and Space | 655 | 609 |
| Military Aircraft | 470 | 411 |
| Total | $2.357 | $2.023 |

With increased deliveries of 707 720 and 727 commercial jets, total sales of just under $2.4 billion for 1066 were more than $300 million higher than 1965. Jet transport deliveries in 1966 included 135 727s and 83 707 720s, of which 22 727s and one 707 were under lease arrangements. This compares to the delivery of 111 727s and 61 707 720s in 1965. Included in the commercial sales total is $46 million relating to the supersonic transport program. Sales to the United States Government of $1,125 million were approximately $105 million higher than in 1965. Minuteman program sales of $312 million were at a higher level than reported in 1965, while sales of $241 million on Saturn and $45 million on Lunar Orbiter were slightly lower than the prior year. On military aircraft programs, increased Sea Knight and Chinook helicopter sales reached a level of $290 million and more than offset the reduction in sales on B-52 modification and maintenance programs.

SALES BY PRODUCT LINE



Based on current programs and production schedules, 1967 sales should be higher than 1966 by reason of increased commercial deliveries and a somewhat higher level of government business. Schedules call for delivery of 118 707s, 149 727s, and 5 737s in 1967. The total of 272 deliveries compares with 218 for 1966. Reduced sales on the Minuteman and Lunar Orbiter programs should be offset by higher sales on Saturn and sales relating to the SRAM Missile. A further increase in deliveries of the Sea Knight and Chinook helicopters should result in sales of military aircraft being somewhat higher despite a further reduction in activity on the B-52 modification and maintenance programs.

## EARNINGS

| | *1966* | *1965* |
|---|---|---|
| Net Earnings (in millions) | $76.1 | $78.3 |
| Profit Margin | 3.2% | 3.9% |
| Earnings per share | $4.13 | $4.78 |

Earnings in 1966, although lower than those reported in 1965, were at a substantially higher level than any other year in the Company's history. The decrease in net earnings is attributable to three principal factors: the higher charges against earnings relating to new commercial jet transport programs, the impact on program costs of the Company's massive expansion program and commercial jet delivery delays due principally to the unavailability of engines. The decrease in the 1966 earnings-per-share figure is attributable principally to the increased number of shares outstanding as compared to 1965.

The Company during 1966 continued its policy of charging against earnings, research, developmental, basic engineering and planning, administrative and other general costs and expenses relating to commercial jet transport programs. With activity on the 737 short-range jet program increased over 1965 levels and with the commencement of the 747 program in 1966, the aggregate amount of such charges relating to new jet transport programs was substantially higher than in the prior year.

Starting in the latter part of 1965 and continuing throughout 1966, it was necessary for the Company on an expedited basis to increase substantially its labor force and to undertake a major facilities expansion program. These actions were taken to provide the human and physical resources necessary to support increased production rate requirements of the 707 720, 727 and helicopter programs, to implement production of the 737 on the most efficient basis practicable, and to provide over-all productive capability for the 747 program. In addition, it was necessary to take those actions from a resource standpoint that placed the Company in the strongest position to win the competitions for the supersonic transport program and the SRAM Missile contract. A further requirement related to the necessity to provide additional research and developmental facilities so critical to the support of existing programs and to the Company's ability to compete effectively for future missile, space and aircraft programs. The Company's expansion program was undertaken of necessity at the same time that industrial and business expansion was at the highest level in the nation's history. This condition resulted in operational performance and in turn program cost and earnings performance being adversely affected by the reduction in efficiency that goes with major expansion programs undertaken in a relatively limited time period and by the pressures that were being exerted on the nation's over-all productive capacity.

Difficulties were encountered in acquiring qualified employees in an extremely tight labor market, with the attendant problems of skill dilution, attrition and major training programs. Extended lead times, delivery delays and increased costs for procurement of materials, equipment and subcontracted work were also experienced. Another factor which increased cost was the rearrangement and relocation of operations as various increments of the facilities expansion program were accomplished.

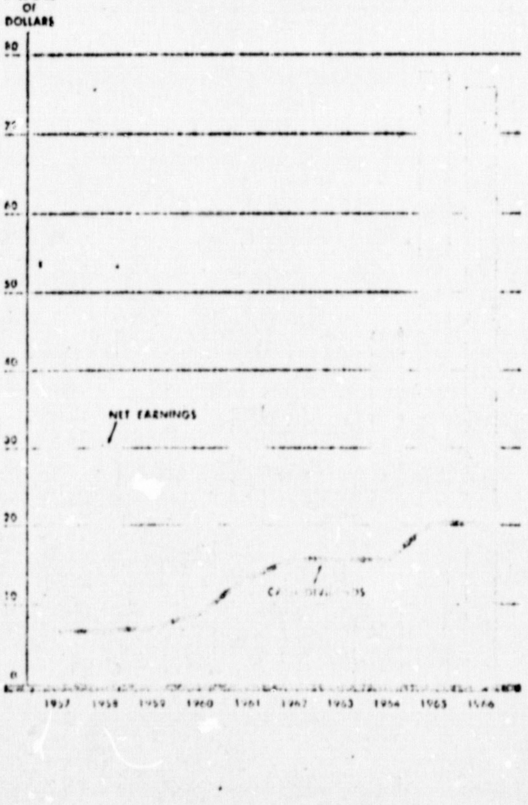
While the total national industrial expansion caused shortages in the supply of materials and parts, the most serious delay related to the inability of the engine manufacturer to support jet transport delivery schedules. The Company's original 1966 production schedules provided for the delivery of 252 aircraft. Due to the unavailability of engines and other factors the delivery of 20 727s and 14 707s was delayed.

Throughout the year provision was included in commercial jet transport program cost estimates for the anticipated higher-than-normal costs attributable to the reasons discussed above. However, actual costs and projected cost trends are above the estimates. Hence, program profit margins are currently somewhat lower than previously projected.

Although most of the Company's government programs were directly or indirectly affected by the expansion program, over-all profit margins were comparable to prior periods.

The profitability of the commercial jet transport program as reflected by reported annual earnings is influenced by such factors as production rate and production cost trends, costs relating to model improvement programs and to the introduction of new models and competitive conditions. These factors make forecasts of profitability from year to year most difficult. Such forecasts cannot be a straight

NET EARNINGS AND CASH DIVIDENDS



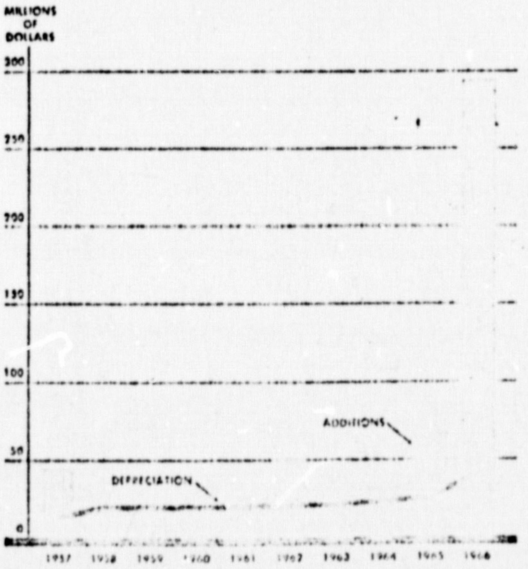
extrapolation of previous trends but must take into consideration the effect on earnings of costs incurred and risks assumed in maintaining the Company's competitive position in the free world jet aircraft market.

With a major portion of the expansion program directly affecting the 707 and 727 programs accomplished and with increased deliveries of both models scheduled, such programs should provide a larger contribution to earnings in 1967. Based on current plans and schedules, earnings on government missile, space and aircraft programs should be equal to, if not somewhat higher than, 1966. Adversely affecting earnings in 1967 will be increased charges against earnings relating to research, developmental, testing and engineering activities on the 727-200, 737 and 747 programs and the continued sharing of costs on the Supersonic Transport program. Interest expense on the extremely heavy borrowing requirements in 1967 also will be substantially higher than in 1966.

## FINANCIAL POSITION

During 1966 a major financing program was undertaken to provide capital resources for the facilities expansion and jet transport financing programs and for the increased working capital requirements of both the commercial jet transport and government programs.

PROPERTY, PLANT AND EQUIPMENT



The financing program included (1) the sale of 2,165,979 shares of capital stock for $112 million, (2) the sale of $130 million of convertible subordinated debentures, (3) commitments from a group of institutional lenders for the purchase of $175 million of senior unsecured notes, and (4) the establishment with commercial banks of a Revolving Credit Agreement and open lines of credit aggregating $401 million.

At the end of 1966, $68.5 million of the new senior notes had been issued and $181 million was outstanding under the Revolving Credit Agreement. An additional $66.5 million of the senior notes will be issued in the first half of 1967 with the remaining $40 million currently scheduled for issue in May, 1968. The Revolving Credit Agreement was originally established at $300 million, but subsequently the Company's over-all bank credit arrangements were renegotiated to provide for $200 million under the Revolving Credit Agreement and $201 million under open lines of credit.

During the year the authorized number of shares of capital stock was increased from ten million to thirty million and the outstanding stock was split two-for-one. Dividends for the first two quarters of the year were paid at $.50 per share on the number of shares outstanding prior to the stock split. This corresponds to $.25 a share after the stock split. The regular quarterly dividend for the last two quarters of the year was increased to $.30 per share.

Working capital of $434 million at the end of 1966 was $168 million more than the prior year-end. The increase is primarily attributable to the substantially higher inventory levels required to support increased production rates on the 707/720, 727 and helicopter programs and the initial production phases of the 737 and 747 programs. Another important factor was the inventory investment relating to aircraft that could not be delivered because of engine delivery delays.

Gross additions to property, plant, and equipment of $295 million in 1966 exceed the aggregate of the facilities investment for the preceding eight years. Jet transport financing which includes long-term notes receivable from customer airlines and the depreciated cost of leased aircraft increased $176 million over 1965 year-end levels.

A summary of sources and uses of funds during the year follows:

| *Sources* (in millions) | |
|---|---|
| Net earnings | $ 76.1 |
| Depreciation of plant | 40.2 |
| Sale of capital stock | 113.1 |
| Sale of convertible subordinated debentures | 130.0 |
| Other long-term debt | 265.6 |
| Deferred income taxes investment credit | 40.1 |
| Total | $665.1 |

| *Uses* (in millions) | |
|---|---|
| Additions to plant and equipment | $294.6 |
| Increased jet transport financing | 176.2 |
| Increased working capital | 167.5 |
| Cash dividends paid | 20.2 |
| Payments on long-term debt | 4.3 |
| Other | 2.3 |
| Total | $665.1 |

Looking to the future, the financing arranged in 1966 should be adequate to accomplish currently planned programs, including the prototype phase of the supersonic transport program.

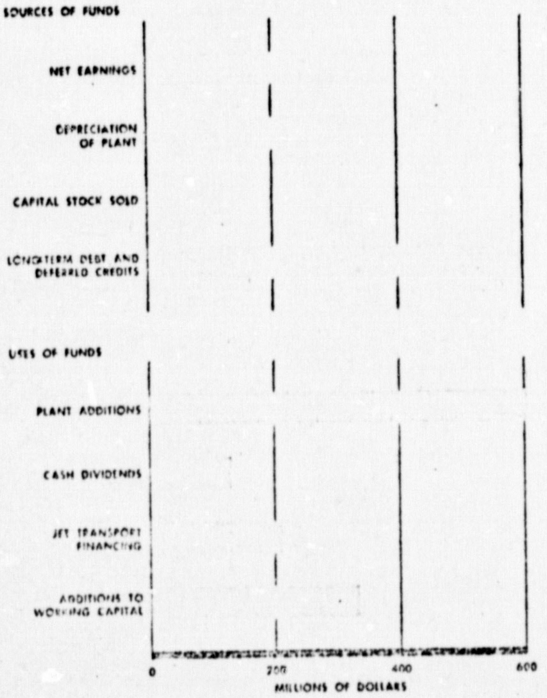
The facilities expansion program will continue at a high level in 1967. Current planning provides for an expenditure of in excess of $200 million. The major portion of the projected expenditures relates to the 747 production facility, the central fabrication facility, and facilities necessary for the supersonic transport program.

The Company's investment in jet transport financing could increase by an additional $175 million in 1967 with the delivery of additional leased aircraft and the receipt of notes receivable under certain sales agreements. By the end of 1967 a very major portion of the current aggregate dollar commitments for jet transport financing will have been discharged. Although additional commitments for the financing of aircraft sales will be necessary, the amounts involved will be substantially below 1966 and 1967 levels. It is the intent of the company to dispose of certain notes receivable and lease contracts at the earliest date practicable.

| BACKLOG (in millions) | *1966* | *1965* |
|---|---|---|
| Commercial | $4,446 | $2,455 |
| Missiles and Space | 387 | 359 |
| Military Aircraft | 450 | 334 |
| Total | $5,283 | $3,148 |

Backlog of unfilled commercial orders at the end of 1966 was approximately $2.0 billion higher than the previous year end, while the government order backlog increased by approximately $145 million. As stated in previous reports, unfilled orders from the U. S. government are limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts believed to be firmly established in Department of Defense and NASA procurement plans, unfilled orders would be substantially increased.

FUNDS STATEMENT
1957-1966



## TEN YEAR COMPARATIVE FINANCIAL DATA

Dollars (other than per share amounts) in millions

### SALES, EARNINGS AND DIVIDENDS

| | SALES | EARNINGS BEFORE INCOME TAXES | | NET EARNINGS | | | CASH DIVIDENDS | |
|---|---|---|---|---|---|---|---|---|
| | | AMOUNT | % OF SALES | AMOUNT | % OF SALES | PER SHARE | AMOUNT | PER SHARE |
| 1966 | $2,357 | $140.6 | 6.0 | $76.1 | 3.2 | $4.13 | $20.2 | $1.10 |
| 1965 | 2,023 | 149.6 | 7.4 | 78.3 | 3.9 | 4.78 | 20.3 | 1.25 |
| 1964 | 1,969 | 89.0 | 4.5 | 45.3 | 2.3 | 2.82 | 16.0 | 1.00 |
| 1963 | 1,771 | 44.9 | 2.5 | 21.7 | 1.2 | 1.35 | 16.0 | 1.00 |
| 1962 | 1,769 | 56.3 | 3.2 | 27.2 | 1.5 | 1.70 | 16.0 | 1.00 |
| 1961 | 1,801 | 73.9 | 4.1 | 35.7 | 2.0 | 2.23 | 13.5 | .85 |
| 1960 | 1,555 | 51.8 | 3.3 | 24.5 | 1.6 | 1.53 | 9.1 | .57 |
| 1959 | 1,649 | 26.4 | 1.6 | 12.7 | 0.8 | .80 | 7.4 | .46 |
| 1958 | 1,752 | 63.4 | 3.6 | 30.2 | 1.7 | 1.91 | 7.0 | .45 |
| 1957 | 1,674 | 80.8 | 4.8 | 39.8 | 2.4 | 2.55 | 6.7 | .43 |

### FINANCIAL POSITION DATA

| | WORKING CAPITAL | LONG-TERM NOTES | LEASED AIRCRAFT | PLANT AND EQUIPMENT | | LONG-TERM DEBT AND DEFERRED CREDITS | STOCKHOLDERS' INVESTMENT | |
|---|---|---|---|---|---|---|---|---|
| | | | | AT COST | NET | | AMOUNT | PER SHARE |
| 1966 | $434 | $124 | $86 | $672 | $426 | $513 | $561 | $28.91 |
| 1965 | 266 | 20 | 14 | 380 | 172 | 104 | 372 | 22.70 |
| 1964 | 255 | 1 | 29 | 315 | 130 | 113 | 306 | 19.06 |
| 1963 | 245 | 9 | 17 | 285 | 121 | 117 | 276 | 17.24 |
| 1962 | 197 | 13 | 10 | 261 | 115 | 66 | 270 | 16.89 |
| 1961 | 178 | 25 | 32 | 214 | 86 | 65 | 258 | 16.19 |
| 1960 | 199 | 17 | 8 | 189 | 81 | 71 | 236 | 14.81 |
| 1959 | 204 | 2 | — | 172 | 83 | 71 | 221 | 13.84 |
| 1958 | 197 | — | — | 155 | 85 | 71 | 213 | 13.46 |
| 1957 | 102 | — | — | 136 | 84 | — | 186 | 11.95 |

**Notes:** All per share data adjusted to reflect stock dividends and stock splits; 1966 based on the average number of shares outstanding during the year; all other years based on number of shares outstanding at end of respective years. Vertol Aircraft Corporation, acquired in 1960, included in data for prior years.

## PRINCIPAL SOURCES AND USES OF FUNDS

| SOURCES | | | | USES | | | | |
|---|---|---|---|---|---|---|---|---|
| NET EARNINGS | DEPRECIATION OF PLANT | CAPITAL STOCK SOLD | LONG TERM DEBT AND DEFERRED CREDITS | CASH DIVIDENDS | ADDITIONS TO PLANT | INCREASED AIRCRAFT FINANCING | INCREASED WORKING CAPITAL | |
| $76.1 | $40.2 | $113.1 | $431.4 | $20.2 | $294.6 | $176.2 | $167.5 | 1966 |
| 78.3 | 25.5 | 1.4 | (2.8) | 20.3 | 67.8 | 3.7 | 11.3 | 1965 |
| 45.3 | 24.7 | 0.8 | (4.1) | 16.0 | 33.6 | 4.5 | 9.6 | 1964 |
| 21.7 | 21.6 | 0.7 | 51.3 | 16.0 | 28.2 | 3.1 | 48.2 | 1963 |
| 27.2 | 21.0 | 0.3 | 1.0 | 16.0 | 50.1 | (34.7) | 19.0 | 1962 |
| 35.7 | 20.6 | 0.2 | (5.9) | 13.5 | 26.8 | 32.4 | (20.7) | 1961 |
| 24.5 | 19.4 | — | — | 9.1 | 17.4 | 22.3 | (4.7) | 1960 |
| 12.7 | 19.5 | 2.2 | — | 7.4 | 18.1 | 2.5 | 7.0 | 1959 |
| 30.2 | 19.1 | 3.1 | 70.6 | 7.0 | 19.5 | — | 94.8 | 1958 |
| 39.8 | 12.9 | 0.9 | — | 6.7 | 45.6 | — | 1.4 | 1957 |

## GENERAL INFORMATION

| SHARES OUTSTANDING | BACKLOG | FLOOR AREA (In Million Square Feet) | | | EMPLOYEES | | |
|---|---|---|---|---|---|---|---|
| | | BOEING OWNED | LEASED | GOV'T OWNED | AVERAGE NUMBER | SALARIES AND WAGES | |
| 19,496,519 | $5,283 | 19.9 | 3.6 | 10.6 | 128,500 | $1,148 | 1966 |
| 16,374,280 | 3,148 | 12.5 | 2.5 | 11.4 | 93,400 | 813 | 1965 |
| 16,073,972 | 1,844 | 11.3 | 2.1 | 11.2 | 90,900 | 758 | 1964 |
| 16,025,136 | 1,815 | 11.1 | 2.0 | 11.2 | 100,400 | 803 | 1963 |
| 15,984,752 | 1,620 | 10.8 | 2.3 | 10.8 | 104,100 | 768 | 1962 |
| 15,964,860 | 1,869 | 7.2 | 1.9 | 11.8 | 89,800 | 629 | 1961 |
| 15,943,294 | 2,139 | 6.6 | 1.7 | 11.4 | 81,700 | 556 | 1960 |
| 15,941,280 | 2,018 | 6.4 | 1.8 | 11.7 | 92,300 | 579 | 1959 |
| 15,537,470 | 2,470 | 6.1 | 2.2 | 11.7 | 95,300 | 566 | 1958 |
| 14,702,392 | 2,482 | 6.0 | 2.3 | 11.3 | 99,300 | 537 | 1957 |

**THE BOEING COMPANY AND SUBSIDIARIES**

## ASSETS

| | December 31, 1966 | December 31, 1965 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and marketable securities | $ 72,240,000 | $ 97,121,000 |
| Amounts receivable under United States Government contracts | 166,333,000 | 170,820,000 |
| Refundable taxes on income | 17,427,000 | |
| Other accounts and notes receivable | 39,982,000 | 64,923,000 |
| Inventories | 501,650,000 | 215,806,000 |
| Prepaid expenses | 4,350,000 | 3,772,000 |
| **Total Current Assets** | $ 801,982,000 | $552,442,000 |
| **LONG-TERM NOTES RECEIVABLE** | $ 124,396,000 | $ 19,857,000 |
| **LEASED AIRCRAFT**, at cost, less accumulated depreciation: 1966, $33,403,000; 1965, $23,525,000 | 85,673,000 | 13,980,000 |
| **OTHER ASSETS AND DEFERRED CHARGES** | 5,977,000 | 3,899,000 |
| **PROPERTY, PLANT AND EQUIPMENT**, at cost | $ 671,883,000 | $379,832,000 |
| Less accumulated depreciation and amortization | 245,392,000 | 207,783,000 |
| | $ 426,491,000 | $172,049,000 |
| | $1,444,519,000 | $762,227,000 |

## LANCE SHEET

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

| | December 31, 1966 | December 31, 1965 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 241,710,000 | $165,021,000 |
| Salaries and wages, taxes, and other accrued expenses | 120,590,000 | 107,898,000 |
| Federal taxes on income (less U. S. tax anticipation bills: 1965, $49,146,000) | | 10,048,000 |
| Current portion of long-term debt | 5,432,000 | 2,750,000 |
| **Total Current Liabilities** | $ 367,732,000 | $285,717,000 |
| **DEFERRED TAXES ON INCOME** | $ 23,997,000 | $ 2,165,000 |
| **DEFERRED INVESTMENT CREDIT** | 22,600,000 | 4,300,000 |
| **LONG-TERM DEBT**, less current portion | 466,533,000 | 98,289,000 |
| **STOCKHOLDERS' INVESTMENT:** | | |
| Capital stock, par value $5 a share — Authorized, 30,000,000 shares Issued and outstanding at stated value: 1966, 19,496,519 shares; 1965, 16,374,280 shares (restated for stock split) | $ 315,213,000 | $135,979,000 |
| Retained earnings | 248,444,000 | 235,777,000 |
| | $ 563,657,000 | $371,756,000 |
| | $1,444,519,000 | $762,227,000 |

See notes to consolidated financial statements.

THE BOEING COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

| | Year ended December 31, | |
|---|---|---|
| | *1966* | *1965* |
| Sales and other income | $2,378,140,000 | $2,042,474,000 |
| Costs and expenses | $2,227,102,000 | $1,885,441,000 |
| Interest and debt expense | 10,405,000 | 7,465,000 |
| Federal taxes on income | 64,500,000 | 71,300,000 |
| | $2,302,007,000 | $1,964,206,000 |
| NET EARNINGS | $ 76,133,000 | $ 78,268,000 |
| Retained earnings, January 1 | 235,777,000 | 177,765,000 |
| Amount transferred to capital stock in connection with two-for-one stock split ($5 per share par value for new shares) | (43,315,000) | |
| Cash dividends paid (per share, restated for stock split: 1966, $1.10; 1965, $1.25) | (20,151,000) | (20,256,000) |
| Retained earnings, December 31 | $ 248,444,000 | $ 235,777,000 |

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## INVENTORIES:

Work in process on military fixed-price incentive type contracts is stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred, and basic engineering and planning costs applicable to commercial jet transport programs are also charged directly to earnings. At December 31, 1966, work in process aggregated $1,019,612,000, less advances and progress payments of $560,160,000.

To the extent that estimated program costs, determined in the above manner, are expected to exceed total sales price, charges are made to current earnings in order to reduce work in process to estimated realizable value.

Commercial spare parts and general stock materials, aggregating $42,468,000, are stated at average cost, not in excess of realizable value.

## FEDERAL INCOME TAXES:

Income taxes have been settled with the Internal Revenue Service for all years through 1963, except for certain pending refund claims which have not been recorded in the accounts. Adequate provision for income taxes is believed to have been made for the years 1964 through 1966. The deferred Federal income tax liability stated in the balance sheet represents the noncurrent portion of taxes payable on earnings from installment sales of commercial aircraft. Refundable taxes on income principally represents carryback to prior years of investment tax credit in excess of the amount allowable against 1966 income taxes.

## LONG-TERM DEBT AND RESTRICTIONS ON RETAINED EARNINGS:

| | *December 31,* | |
|---|---|---|
| | *1966* | *1965* |
| Revolving Credit notes | $180,600,000 | $ -- |
| 5½% Convertible Subordinated Debentures | 129,959,000 | |
| 6⅜% notes payable | 68,500,000 | |
| 5% notes payable | 47,250,000 | 50,000,000 |
| 5% Sinking Fund Debentures | 26,501,000 | 26,501,000 |
| Other notes | 19,155,000 | |
| 4½% Convertible Subordinated Debentures | | 24,538,000 |
| Less current maturities | (5,432,000) | (2,750,000) |
| | $466,533,000 | $98,289,000 |

The Company has entered into a Revolving Credit Agreement with a group of banks for an aggregate of $200,000,000 with the outstanding balance at December 31, 1969 repayable over the three-year period ending December 31, 1972. These loans bear interest at the prime commercial bank rate until December 31, 1969 (currently 5¾%), and thereafter at ¼% above such rate. Borrowings under the agreement may be prepaid at any time without penalty.

The 5½% Convertible Subordinated Debentures, due in 1991, are convertible into capital stock at $63.50 per share. Of the Company's unissued capital stock, 2,046,953 shares are reserved for conversion of the debentures. Required annual sinking fund payments commencing in 1977 are 5.75% of the principal amount of debentures outstanding at September 1, 1976.

In September 1966, the Company obtained commitments from a group of institutional lenders to purchase at various dates to May 1968 an aggregate of $175,000,000 principal amount of 6⅜% notes due 1986. Required annual sinking fund payments commencing in 1971 are $10,750,000.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of $2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually. Debentures aggregating $2,699,000 have been canceled but may be applied against future sinking fund requirements.

The other notes relate to certain purchase and lease agreements with airline customers, bear interest at 6 to 7% and are payable to a group of banks in installments over various periods through 1977.

The indentures under which the long-term obligations were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the Company's capital stock or subordinated indebtedness. Under the most restrictive of these provisions, retained earnings totaling $63,209,000 at December 31, 1966 were not so restricted.

## OPERATING CHARGES:

The following charges were incurred in the years ended December 31:

| | *1966* | *1965* |
|---|---|---|
| Depreciation and amortization of plant and equipment | $40,168,000 | $25,489,000 |
| Depreciation of leased aircraft | 9,878,000 | 8,104,000 |
| Retirement plan | 35,497,000 | 23,574,000 |

## CAPITAL STOCK:

Changes in capital stock during the year were as follows:

| | *Shares* | *Amount* |
|---|---|---|
| Balance at January 1, 1966 | 8,187,140 | $135,979,000 |
| Shares sold to officers and employees— | | |
| Under stock option plan | 16,740 | 538,000 |
| Under incentive compensation plan | 3,726 | 560,000 |
| Shares issued in exchange for Convertible Subordinated Debentures | 459,868 | 22,793,000 |
| Shares sold under stock offering | 2,165,979 | 112,028,000 |
| Shares issued in connection with two-for-one stock split ($5 per share par par value transferred from retained earnings) | 8,663,066 | 43,315,000 |
| Balance at December 31, 1966 | 19,496,519 | $315,213,000 |

## STOCK OPTIONS:

At December 31, 1966, options for 246,284 shares of the Company's stock, at prices ranging from $15.25 to $63.50, were outstanding, of which 35,594 shares were exercisable. During 1966, 29,072 shares were issued upon exercise of options, options were granted for 143,200 shares and options for 1,900 shares were canceled.

An additional 40,166 shares are available for future grants under the restricted stock option plan.

## CONTINGENT LIABILITIES:

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. Renegotiation Board proceedings for all years through 1962 have been concluded. The Company does not know and cannot predict what the Board's action will be for 1963 and subsequent years. In view of this uncertainty, and the belief of the Company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

The Company is engaged in various legal proceedings which in some instances involve claims for substantial amounts. Most of these claims are covered by insurance, and the Company does not anticipate that the amounts, if any, which may be required to be paid by the Company will be material.

# ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART

1212 IBM BUILDING
SEATTLE, WASHINGTON 98101

February 27, 1967

Board of Directors
The Boeing Company
Seattle, Washington

We have examined the accompanying consolidated balance sheet of The Boeing Company and subsidiaries as of December 31, 1966 and the related statement of net earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

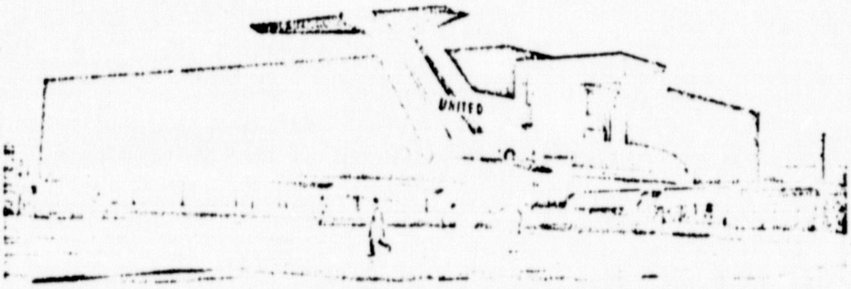
In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Boeing Company and subsidiaries at December 31, 1966 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 27, 1967, in setting aside the sum of $1,825,000 for the year 1966 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Ross, Bailey & Smart

Certified Public Accountants

## FACILITIES EXPANSION



727 at check-out building for quick-change aircraft

The largest facilities expansion program in Company history reached a peak during 1966. The most dramatic and costly project is the entirely new factory complex at Everett, Washington, for the 747 superjet transport program. The site was selected because it is adjacent to Paine Field, an outstanding civilian airport; because the property was under one ownership thus minimizing acquisition problems, and because the production could be carried on near the design team.

Beginning with 780 hilly acres of undeveloped and mostly wooded land in the early summer, contractors for Boeing cleared and leveled 250 acres and laid a 2-mile-long railroad spur with a 5.6 per cent gradient to serve the factory site. In the process, four million cubic yards of overlay were moved.

First locomotives and rail cars moved over the new spur in November. Working around the clock, contractors rushed completion of a warehouse and a low bay manufacturing and mockup building to allow first occupancy by permanent Boeing workers – as well as a huge mockup section of the airplane -- by January, 1967.

The 747 final assembly structure will be the world's largest building by cubic foot capacity (160 million cubic feet). Foundations and 30 per cent of the steel work were completed by year end. This building, 1,150 by 1,000 feet in its main section, is to be partially occupied by early spring, and completed by September. Other buildings under construction include a seal, paint and wing building, plus support service, office and cafeteria structures. Total authorizations to date for land, buildings and equipment on the Everett site exceed $115,000,000. The facility will give the Company the capacity to produce 200 Model 747s by December, 1972, and 400 by December, 1975.

No other single Company construction program matched the effort at Everett, but several were outstanding in their own right. The 915,000 square-foot 727 final assembly building at Renton, including 300-foot clear span roof beams, was the fifth major structure added to that plant during 1966. Others were a major warehouse, an engineering laboratory, an office building and additions to the sub-assembly and mockup buildings.

At the Boeing Space Center, Kent, Washington, four office buildings and laboratory and service buildings were added to the complex while space and environmental flight simulation laboratories were extended. Space Division and Missile & Information Systems Division headquarters moved to the Space Center from Seattle. Also located there in a new facility is the Commercial Airplane Division training center which coordinates training functions for the entire division.

At Auburn, Washington, the Company established a Central Fabrication Facility. This facility serves all divisions as needed. The basic site, purchased in 1965, included a group of warehouse buildings. Major new facilities constructed on the site include a spar and skin mill, a process building, two other main manufacturing buildings, administrative offices and cafeteria. Construction activities were initiated on a tooling facility which is to be completed in May, 1967.

In Seattle, a new final assembly building for the 737 twin-jet airliner was erected and occupied late in the year. At the Developmental Center, the Company built the largest and most advanced titanium processing facility in the aerospace industry. This can handle 70-foot-long titanium parts, essential to the SST program. Other new Seattle buildings included a two-position airplane paint hangar and a quick-change cargo equipment installation facility, both at Boeing Field.

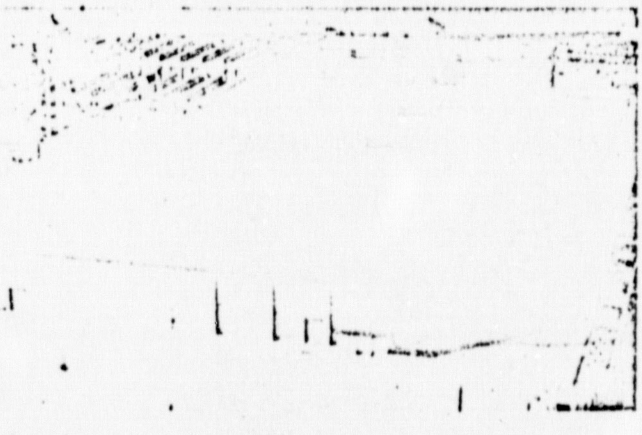
In April, the Company purchased, for $13.75 million, a variety of government-owned buildings in the Plant II complex at Seattle. Only the comparatively small Missile Production Center, among Seattle buildings occupied by the Company, remains in government ownership.

At Wichita, Boeing negotiated a lease on the government-owned Plant II, making it, as well as the Company-owned Plant I, available for commercial work.

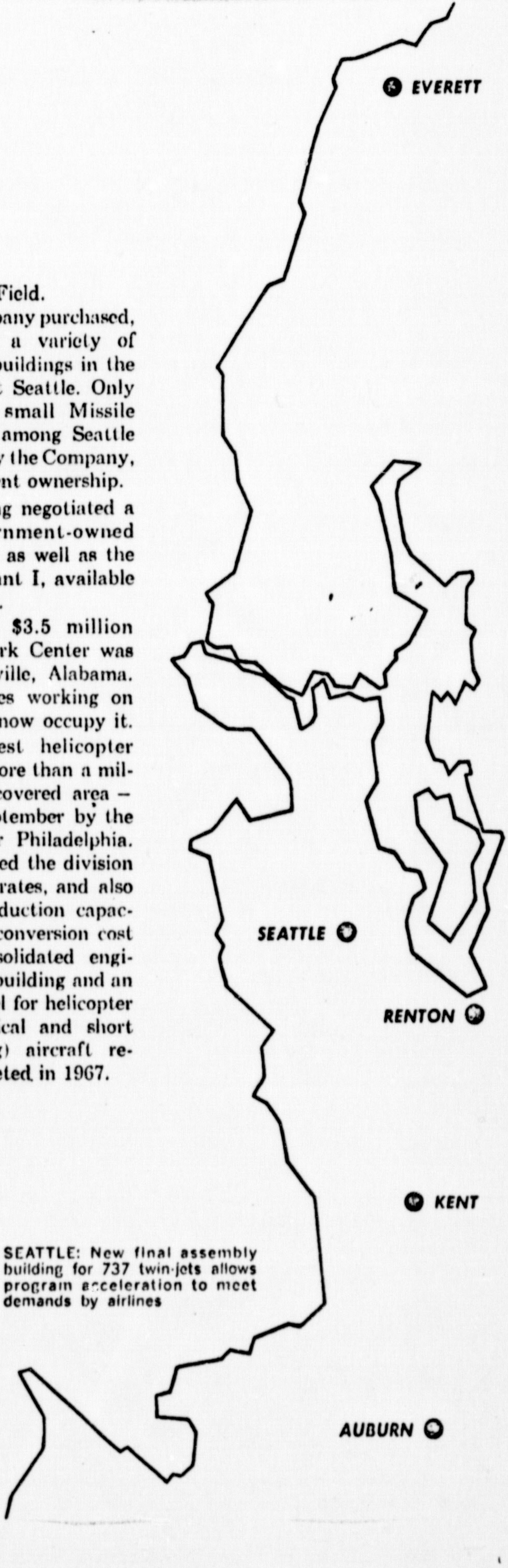
In December, a $3.5 million Boeing Research Park Center was dedicated at Huntsville, Alabama. About 700 employees working on the Saturn program now occupy it.

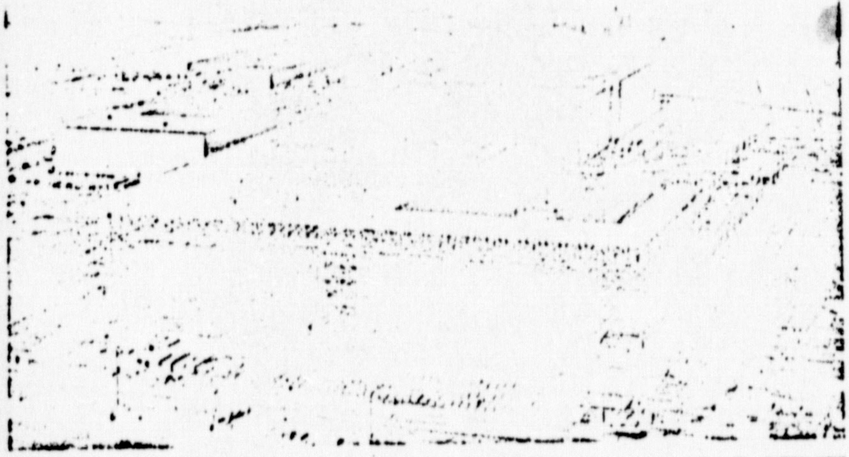
The world's largest helicopter assembly facility – more than a million square feet of covered area – was dedicated in September by the Vertol Division near Philadelphia.

This facility enabled the division to triple production rates, and also provides reserve production capacity. Acquisition and conversion cost $16 million. A consolidated engineering laboratories building and an advanced wind tunnel for helicopter and V/STOL (vertical and short takeoff and landing) aircraft research will be completed in 1967.

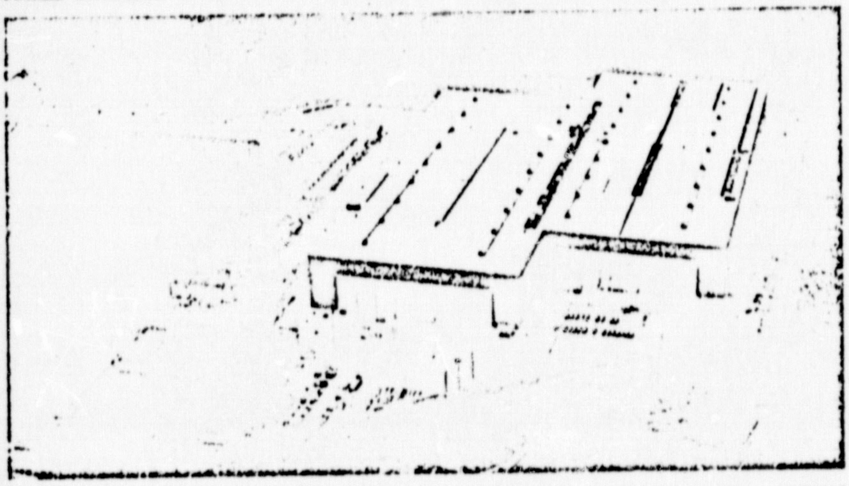


SEATTLE: New final assembly building for 737 twin-jets allows program acceleration to meet demands by airlines

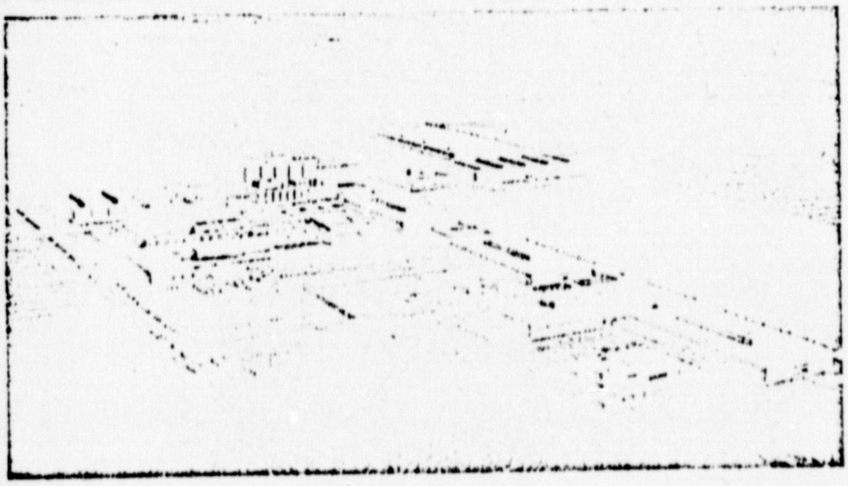




**EVERETT:** World's largest building in cubic foot measurement, part of complete new complex for assembly of 747s, world's biggest airliners



**RENTON:** Five major structures were added to Company's factory complex at Renton during year of expansion in all commercial airplane areas



**KENT:** Extensions of laboratories and addition of four new office buildings made room for missile and space divisional activities

**AUBURN:** a new Central Fabrication Facility, to serve all divisions, includes tooling activities, spar mill, manufacturing areas, offices

## MILITARY PRODUCTS

Vertol helicopters in Viet Nam combat serve U.S. Army, Marine Corps, Navy

Boeing production facilities and research organizations were engaged during 1966 by a variety of military programs, including missiles, helicopters, and use of Boeing aircraft as platforms for various military activities, while old and new Boeing products did combat duty in Viet Nam.

Largest military program continued to be the Minuteman Intercontinental Missile, almost 1,000 of which are now emplaced in silos in the midwestern and western United States. During the year, Company crews completed installation of the majority of 200 Minuteman II missiles – an improved model with longer range and greater accuracy than the original weapons – in the last remaining new silos on the weapons system schedule. In silos already operational, work began on replacement (Force Modernization) of 800 Minuteman I missiles with the improved models. Final assembly of the missiles continued at Ogden, Utah, with installations or modification under way in Missouri, the Dakotas, Wyoming and Montana.

On December 6, the Department of Defense announced that the government would proceed to develop Minuteman III, a further advanced intercontinental ballistic missile. Boeing intends to seek this assignment as well. Even without this new version, Minuteman work will extend into the 1970s.

Of particular satisfaction was winning of the SRAM (Short Range Attack Missile) after a long and intensive competition. By the year's end more than 1,000 employees were assigned to the project. The SRAM is designed for use by the FB-111 supersonic bomber, Boeing B-52G and H model intercontinental bombers, and is intended to be compatible with the proposed Air Force Advanced Manned Strategic Aircraft. Boeing's contract from the Air Force totaled $142 million for development work and test missiles. There are firmly-priced options for the Air Force to order initial quantities of production models, and associated aircraft and support equipment. Should production models be ordered, the work would extend for a substantial number of years.

In mid year the Company also won a $2.1 million contract to continue study of an airborne warning and control system (AWACS). In this, Boeing is in competition with another company in the final year of the study. Boeing has proposed to the Air Force use of a 707-type aircraft carrying advanced electronic equipment. Assuming favorable results of the study, a competition for large development and production contracts is anticipated.

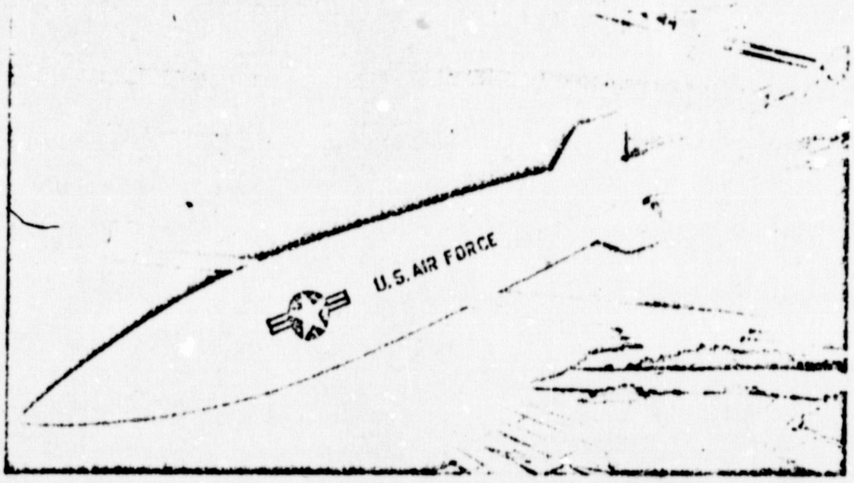
The Company will deliver to the Army an advanced Chinook helicopter with greater payload and speed than the current model in 1967. Development is under way on a still further advanced model, the CH-47C, scheduled for delivery in 1968. During 1966, the Company delivered the first advanced CH-46D model, Sea Knight. These new models have substantial increases in speed and payload.

In Viet Nam, the Chinook and Sea Knight logged more than 68,500 flight hours by the end of 1966. Both are playing key roles in the air mobility tactics essential to success in that war, as well as rescuing downed aviators, evacuating thousands of wounded, recovering aircraft and evacuating refugees. Sea Knight helicopters are operating from the decks of Navy vessels in vertical replenishment missions – the transfer of cargo from supply ships to combat ships.

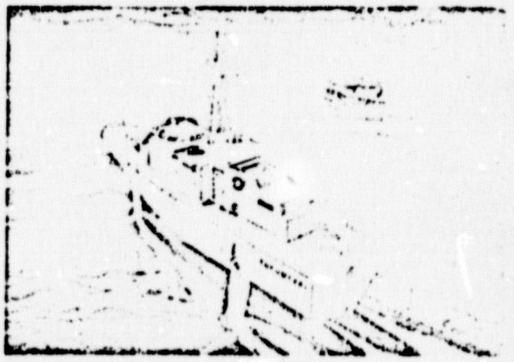
The Boeing-built helicopters in Viet Nam joined two other Boeing products doing yeoman service there. B-52 bombers (many of them modified at the Wichita Division to increase their conventional bombing capacity) made almost daily raids on enemy-controlled areas. Boeing-built KC-135 aerial tankers are being used to refuel both the bombers and jet fighters, which thus are able to stay over target areas for long periods of time. Recently, the U. S. Strategic Air Force announced that the KC-135s had transferred more than a billion gallons of fuel to other planes in the combat area.

For the U. S. Navy, the Company in 1966 commenced construction of a hydrofoil gunboat, the PGH-2, using a water jet propulsion system. The hull of this craft was virtually complete at the year end, and fitting out was scheduled to start at Seattle. Meanwhile, the Navy continued rough water tests with the High Point, a hydrofoil patrol craft also built by Boeing.

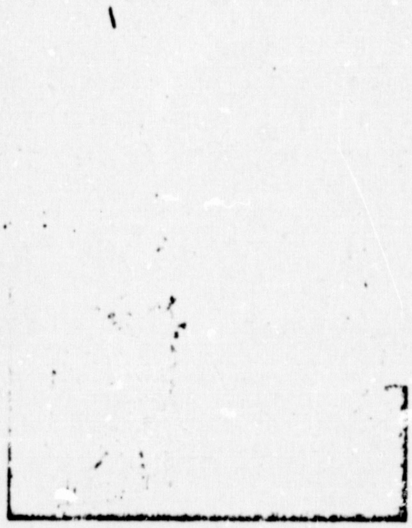
The HiBEX (High Acceleration Boost Experimental) program was concluded early in the year with a final launch at the White Sands Missile Range. Boeing was prime contractor for the program, sponsored by the U. S. Advanced Research Projects Agency for a study of ballistic missile defense systems. All test objectives on the program were met.



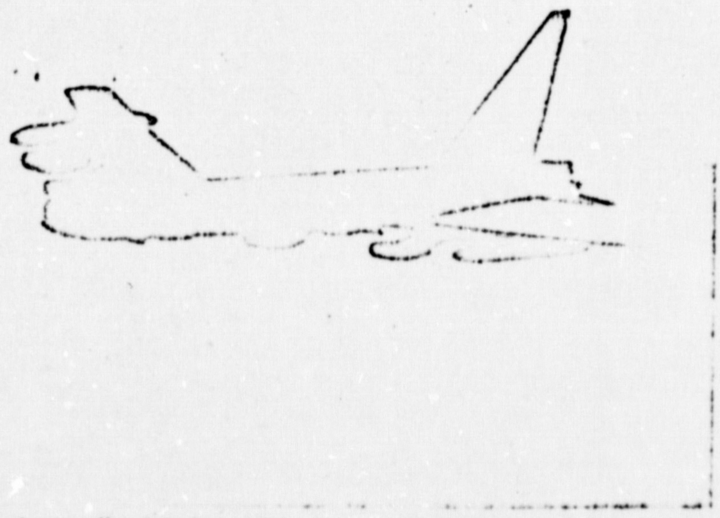
U.S. Air Force chose Boeing to design and develop short range attack missile



Navy hydrofoil gunboat, Tucumcari, will use water jet propulsion, no propellers

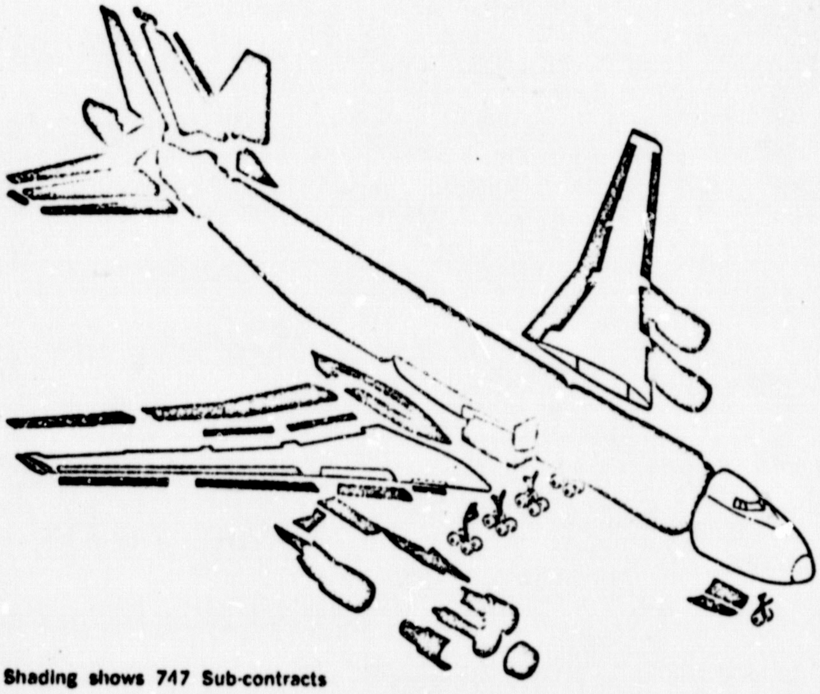


Multiple firings of Minuteman missiles showed capabilities of Air Force weapon



B-52s proved conventional warfare abilities in long range Viet Nam missions

## SUBCONTRACTING



**Shading shows 747 Sub-contracts**

More than 50 cents of every sales dollar received by The Boeing Company currently is expended for supplies or subcontracted work. During 1966, $2.1 billion in subcontracts was in effect, shared in by approximately 20,000 companies. Their locations include all 50 states and several foreign countries.

As Boeing's family of jet transports continues to expand and new military and space assignments are received, the subcontract program also grows, with an effect on the economy of many industrial areas throughout the country. Of the firms with which the Company deals directly, more than 74% are classed as small businesses, generally defined as those with less than 500 employees. Many other small businesses are included in second tier contracts – those awarded by Boeing's subcontractors for components included in products eventually delivered to Boeing.

For the 747 jet, more than 65 per cent of the airplane, by weight, will be built by firms other than Boeing. The Company's proposal for a supersonic jet specified that more than half the total manufacturing effort both for prototypes and production airplanes would be subcontracted.

In addition to subcontracts, the Company has a very large interdivisional support program. The Wichita and Turbine divisions both devote well over half their total efforts to support of other divisions and activities. Wichita already provides major support for the Commercial Airplane and Vertol Divisions and the Saturn program. The Auburn Central Fabrication facility supports other divisions as required.

Beginning July 15, 1966, the fiftieth anniversary of The Boeing Company was marked with a series of civic celebrations in Seattle and at various other Company locations. The program, headlined by a community-sponsored anniversary banquet and luncheon in Seattle with government, industry and community leaders in attendance, included 23 separate events.

A highlight was the construction and demonstration flying of a replica of the 1916 B & W seaplane, Boeing's first product. The airplane, with a maximum speed of 80 miles an hour, was flown for various celebrations in Seattle, later was trucked to the East Coast, flew at Philadelphia, New York and Washington, then (with special wheeled gear attached to its floats), at Wichita, Kansas. Later, the replica was moved to the Developmental Center in Seattle, where it is on display in sharp contrast to the huge supersonic transport mockup.

The Company produced a special anniversary movie, an anniversary edition of the Boeing Magazine and a new edition of the Boeing story, *Vision*, which was distributed to all employees and thousands of people allied to the industry. Creation of a commemorative seal and postal cachet, the sponsoring of a series of scientific meetings and a showing of a number of special displays were additional features of the celebration. The Boeing display at the Seattle Museum of History and Industry was up-dated for the occasion.

At the anniversary banquet in Seattle, Juan T. Trippe, chairman of the board of Pan American World Airways, told a large audience: "We salute, on behalf of the entire aviation industry, an adventurous and imaginative corporation which has written its own saga, created its own legends, in a day when these great assertions of the human spirit are as rare as they are greatly needed."

**Double exposure of film created 50th anniversary photo: Replica of 1916 Boeing plane with jetliners**

# DIRECTORS AND OFFICERS

William M. Allen

W. L. Campbell

Artemus L. Gates

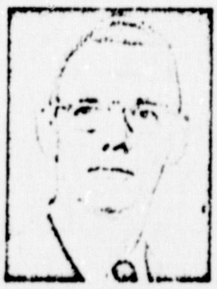
Crawford H. Greenewalt

T. A. Wilson

H. W. Haynes

Lowell P. Mickelwait

J. E. Prince


William G. Reed

D. E. Skinner

Edward C. Wells

**DIRECTORS EMERITI**

C. L. Egtvedt
Darrah Corbet
D. A. Forward
Fred P. Laudan
J. E. Schaefer
Dietrich Schmitz

George H. Weyerhaeuser

Thomas R. Wilcox

John O. Yeasting

**William M. Allen**
*President, Director*

**T. A. Wilson**
*Executive Vice President,*
*Director*

**E. H. Boullioun**
*Vice President—Assistant*
*General Manager, Commercial*
*Airplane Division*

**W. L. Campbell**
*Director—Chairman, General*
*America Corporation, Seattle*

**J. B. Connelly**
*Vice President—Assistant*
*General Manager, Commercial*
*Airplane Division*

**C. E. Dillon**
*Vice President—Manager,*
*Renton Branch, Commercial*
*Airplane Division*

**D. J. Euler**
*Vice President—Plans and*
*Administration, Commercial*
*Airplane Division*

**Thoralf E. Gamlem**
*Vice President—Manager,*
*Auburn Branch, Commercial*
*Airplane Division*

**Artemus L. Gates**
*Director—Consultant,*
*New York*

**C. B. Gracey**
*Vice President—Manufacturing*

**Crawford H. Greenewalt**
*Director—Chairman of the Board,*
*E. I. duPont de Nemours & Co.*
*Wilmington, Delaware*

**H. W. Haynes**
*Vice President—Finance, Director*

**Robert H. Jewett**
*Vice President—General*
*Manager, Missile and Information*
*Systems Division*

**V. F. Knutzen**
*Controller*

**F. P. Laudan**
*Vice President—Director*
*Emeritus*

**G. C. Martin**
*Vice President—Engineering*

**L. P. Mickelwait**
*Vice President—Industrial and*
*Public Relations, Director*

**R. J. Murphy, Jr.**
*Vice President—*
*Washington Representative*

**H. W. Neffner**
*Vice President—*
*Government Contracts*

**E. A. Ochel**
*Vice President—General*
*Manager, Wichita Division*

**M. L. Pennell**
*Vice President—Engineering*
*and Product Development,*
*Commercial Airplane Division*

**T. C. Pitts**
*Vice President—Operations,*
*Everett Branch, Commercial*
*Airplane Division*

**J. E. Prince**
*Vice President—Administration;*
*Corporate Secretary; Director*

**William G. Reed**
*Director—Chairman, Simpson*
*Timber Company, Seattle*

**R. L. Regan**
*Vice President—Operations,*
*Commercial Airplane Division*

**R. L. Rouzie**
*Vice President—Engineering,*
*Commercial Airplane Division*

**George S. Schairer**
*Vice President—Research*
*and Development*

**D. E. Skinner**
*Director—President, Skinner*
*Corporation, Seattle*

**George Snyder**
*Vice President—Engineering,*
*Everett Branch, Commercial*
*Airplane Division*

**M. T. Stamper**
*Vice President—Manager,*
*Everett Branch, Commercial*
*Airplane Division*

**J. E. Steiner**
*Vice President—Product*
*Development, Commercial*
*Airplane Division*

**George H. Stoner**
*Vice President—General*
*Manager, Space Division*

**R. W. Tharrington**
*Vice President—General*
*Manager, Vertol Division*

**D. D. Thornton**
*Treasurer*

**Edward C. Wells**
*Vice President—Product*
*Development, Director*

**George H. Weyerhaeuser**
*Director-President*
*Weyerhaeuser Company, Tacoma*

**B. M. Wheat**
*Vice President—Manager,*
*Seattle Branch, Commercial*
*Airplane Division*

**Thomas R. Wilcox**
*Director—Executive Vice*
*President, First National*
*City Bank, New York*

**Lysle A. Wood**
*Group Vice President—*
*Aerospace*

**John O. Yeasting**
*Vice President—General*
*Manager, Commercial Airplane*
*Division, Director*

Photographed through massive titanium wing bearing, forward section of SST mockup dwarfs B & W replica

*The Boeing Company is composed of an administrative headquarters organization and six operating divisions of which two are incorporated in a Group administration. Headquarters, the Space Division and Missile and Information Systems Division of the Aerospace Group, the Turbine Division and the Commercial Airplane Division are located in the Seattle, Washington area. The Wichita Division is located in Wichita, Kansas, and the Vertol Division is in the Philadelphia, Pennsylvania area.*

*The Commercial Airplane Division is composed of a central organization and several branches. The Renton Branch produces 707, 720 and 727 aircraft. The Seattle Branch produces the model 737. The Everett Branch is preparing to produce the 747. The Supersonic Transport Branch will develop and build the SST prototypes. The Auburn Branch comprises a central fabrication facility serving all other company operations in the Seattle area.*

*The Space Division's Launch Systems Branch conducts its principal operations in New Orleans, Louisiana and Huntsville, Alabama, with the division's Space Craft Programs operation in Seattle. The Boeing Atlantic Test Center is a Space Division operation at Cape Kennedy, Florida.*

*The Company has three wholly owned subsidiaries — Boeing of Canada, Limited, located in Arnprior, Ontario, Boeing International Corporation, and Boeing Financial Corporation. The latter two have principal offices in Seattle.*

| | |
|---|---|
| GENERAL COUNSEL | Holman, Marion, Perkins, Coie & Stone |
| GENERAL AUDITORS | Touche, Ross, Bailey & Smart |
| TRANSFER AGENT | First National City Bank, New York City |
| REGISTRAR | Bankers Trust Company, New York City |

THE BOEING COMPANY
GENERAL OFFICES – 7755 EAST MARGINAL WAY – SEATTLE, WASHINGTON 98124

# PROXY STATEMENT

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

APRIL 24, 1967

THE BOEING COMPANY

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

## APRIL 24, 1967

*To the Stockholders:*

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of The Boeing Company, a Delaware corporation, will be held on Monday, April 24, 1967, at 11:00 A.M. Pacific Standard Time, at the office of the Company at 7755 East Marginal Way, Seattle, Washington, for the following purposes:

(1) the election of a Board of Directors,

(2) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Pursuant to the By-Laws, the Board of Directors has fixed the close of business March 9, 1967, as the record date for the determination of the stockholders of the Company entitled to notice of and to vote at the meeting.

So far as the Management is at present aware, no business will come before the meeting other than the election of a Board of Directors.

J. E. PRINCE
Secretary

Seattle, Washington
February 27, 1967

**If you cannot be present at the meeting personally, it is requested by the Management that you execute and return the enclosed proxy in favor of William M. Allen, W. L. Campbell and William G. Reed.**

### INSTRUCTIONS FOR SIGNING PROXY

The signature should correspond with the name appearing on the proxy. If the stockholder is a corporation or a partnership, give the full company name as appearing on the proxy and have it signed by a duly authorized officer or partner, showing his title. Where stock stands in more than one name, all holders of record should sign. When signing as executor, administrator, trustee or guardian, please give your full title.

## ANNUAL MEETING OF STOCKHOLDERS, APRIL 24, 1967
## PROXY STATEMENT

The following statement is made in connection with the solicitation of the enclosed proxy for the Annual Meeting.

Shares represented by a properly executed proxy in the accompanying form will be voted at the meeting. The proxy may be revoked by the stockholder at any time before its exercise.

At the date of this statement, the only business that the Management intends to present or knows that others will present is the election of fourteen Directors. However, if any other matters are properly brought before the meeting, the enclosed proxy gives discretionary authority to the persons named in such proxy to vote the shares in accordance with their best judgment.

### ELECTION OF DIRECTORS

The names of nominees of the Management for the office of Director of the Company are set forth below. It is believed that all such nominees are available for election. Shares represented by a properly executed proxy in the accompanying form will be voted for such nominees. However, discretionary authority is reserved to vote such shares in accordance with the best judgment of the persons named in such proxy in the event that any person or persons other than the nominees listed below are to be voted upon at the meeting because of the unavailability of any nominee so listed. All the persons named below are Directors of the Company at the present time. All of the Directors are elected annually and each Director continues in office until his successor has been elected, or until he resigns or has been removed in the manner provided by the By-Laws of the Company. (The data as to the amount of stock and 5½% Convertible Subordinated Debentures due 1991 beneficially owned by each nominee is given as of February 1, 1967 and has been supplied by each nominee.)

| *Name* | *Principal Occupation* | *Has Served as Director Since* | *Shares of Stock Beneficially Owned* | *Principal Amount of Debentures Owned* |
|---|---|---|---|---|
| **WILLIAM M. ALLEN** | President of the Company | 1934 | 25,464 (1) | None (2) |
| **W. L. CAMPBELL** | Chairman of the Board, General America Corporation, Seattle, Washington, and its subsidiary fire, auto, casualty and life insurance companies | 1962 | 225 | $ 1,500 |
| **ARTEMUS L. GATES** | Consultant, New York, New York | 1948 | 1458 (3) | None |
| **CRAWFORD H. GREENEWALT** | Chairman of the Board, E. I. duPont de Nemours & Company, Wilmington, Delaware, manufacturers of chemical products | 1964 | 225 | $26,500 |

| *Name* | *Principal Occupation* | *Has Served as Director Since* | *Shares of Stock Beneficially Owned* | *Principal Amount of Debentures Owned* |
|---|---|---|---|---|
| **H. W. HAYNES**(1) | Vice President-Finance of the Company | 1966 | 1143 | None |
| **LOWELL P. MICKELWAIT** | Vice President-Industrial and Public Relations of the Company | 1962 | 1128 | None |
| **J. E. PRINCE** | Vice President-Administration and Secretary of the Company | 1961 | 4098 | None |
| **WILLIAM G. REED** | Chairman, Simpson Timber Company, Seattle, Washington, manufacturers of forest products | 1951 | 3254 | None |
| **D. E. SKINNER** | President, Skinner Corporation, Seattle, Washington, diversified investments, including the Alaska Steamship Company | 1962 | 600(3) | None |
| **EDWARD C. WELLS** | Vice President-Product Development of the Company | 1951 | 8564 | None |
| **GEORGE H. WEYERHAEUSER** | President, Weyerhaeuser Company, Tacoma, Washington, growers, manufacturers, and marketers of forest products | 1962 | 600 | None |
| **THOMAS R. WILCOX** | An Executive Vice President, First National City Bank, New York City | 1964 | 225(4) | $ 1,500(4) |
| **T. A. WILSON** | Executive Vice President of the Company | 1966 | 2058 | $13,700 |
| **J. O. YEASTING** | Vice President-General Manager, Commercial Airplane Division of the Company | 1951 | 6058(2) | None |

(1) Mr. Haynes was elected a Director on October 31, 1966 by the Board of Directors to fill a vacancy on the Board created by amendment to the By-Laws of the Company increasing the number to fourteen. During the past five years Mr. Haynes has been Vice President-Finance of the Company.

(2) Does not include 768 shares of stock and Debentures in the principal amount of $1,000 owned by Mr. Allen's wife, 1664 shares of stock owned by Mr. Gates' wife, and 16 shares owned by Mr. Yeasting's wife. Messrs. Allen, Gates and Yeasting disclaim any beneficial ownership of the securities owned by their wives.

(3) Does not include 600 shares owned by the Skinner Corporation of which Mr. Skinner is president and a stockholder owning in excess of 10% of the outstanding shares of stock.

(4) Does not include six shares of stock and one Debenture in the principal amount of $100 held in a trust of which Mr. Wilcox is trustee and his son is beneficiary. Mr. Wilcox disclaims any beneficial interest in such trust.

Mr. W. L. Campbell, a Director of the Company, is Chairman of the Board of General America Corporation, Seattle, Washington. Safeco Life Insurance Company, a subsidiary of General America Corporation, was one of a group of institutional lenders who on September 22, 1966 agreed to purchase an aggregate of $175,000,000 of 6⅜% Notes of the Company due 1986. Pursuant to such agreement Safeco has purchased a 6⅜% Note in the amount of $500,000, which remained outstanding as of January 31, 1967.

Mr. Crawford H. Greenewalt, a Director of the Company, is Chairman of the Board of E. I. duPont de Nemours & Company, Wilmington, Delaware. The Company has purchased, and expects to continue to purchase, products from E. I. duPont de Nemours & Company in the ordinary course of business. During 1966 the Company's purchases amounted to $2,883,300, of which $2,768,000 were on the basis of competitive bids.

Mr. William G. Reed, a Director of the Company, and members of his family own approximately 77% of the stock of Stetson Ross Machine Company, Inc. The Company has purchased, and expects to continue to purchase, products from Stetson Ross Machine Company, Inc. in the ordinary course of business. During 1966 the Company's purchases amounted to $179,628, of which $137,839 were on the basis of competitive bids.

Mr. Thomas R. Wilcox, a Director of the Company, is an Executive Vice President of First National City Bank, New York, New York. The Bank is one of a group of banks extending credit to the Company under the Company's Revolving Credit Agreement. It is also one of a group of banks making loans to the Company under a commercial open line of credit. The maximum loans outstanding by the Bank to the Company during the period from January 1, 1966 through January 31, 1967 was $39,000,000 as of January 31, 1967. It is contemplated that additional loans will be made by the Bank to the Company under the commercial open line of credit. The Bank as Trustee, Investment Advisory Agent, and Investment Advisor, was one of a group of institutional lenders who agreed to purchase the Company's 6⅜% Notes due 1986 referred to above. Pursuant to such agreement the Bank has purchased 6⅜% Notes in the amount of $5,100,000 which remained outstanding as of January 31, 1967. The Bank is also a participant to the extent of 30% in loans made to the Boeing Financial Corporation, a wholly owned customer financing subsidiary of the Company. The maximum loans outstanding by the Bank to such subsidiary during the period January 1, 1966 through January 31, 1967 was $6,536,500 as of January 31, 1967. It is contemplated that additional loans will be made by the Bank to such subsidiary during the ensuing year.

## REMUNERATION OF DIRECTORS AND OFFICERS

Set forth below is the aggregate remuneration paid by the Company during 1966 to, or deferred during 1966 for the account of, (1) each Director, and each of the three highest paid officers of the Company, whose aggregate remuneration exceeded $30,000, and (2) all Directors and officers of the Company as a group; and the estimated annual benefits such persons will be paid under the Company's retirement plan upon retirement at the normal retirement date:

| *Name of Individual or Identity of Group, and Capacity in Which Remuneration was Received* | *Aggregate Remuneration for 1966(1)* | | *Estimated Annual Benefits Upon Retirement(2)* |
|---|---|---|---|
| | *Paid* | *Deferred* | |
| **William M. Allen**<br>President | $ 99,985 | $ 74,989 | $ 23,357 |
| **H. W. Haynes**<br>Vice President-Finance | 80,609 | — | 23,111 |
| **Lowell P. Mickelwait**<br>Vice President-Industrial and Public Relations | 82,985 | — | — |
| **J. E. Prince**<br>Vice President-Administration, and Secretary | 54,993 | 42,998 | 13,708 |
| **Edward C. Wells**<br>Vice President-Product Development | 79,989 | 42,000 | 28,485 |
| **T. A. Wilson**<br>Vice President-Operations and Planning and Executive Vice President | 82,571 | — | 21,999 |
| **J. O. Yeasting**<br>Vice President-General Manager, Commercial Airplane Division | 82,297 | 42,000 | 19,309 |
| **All Directors and Officers as a Group** (42 Persons) | $1,903,667 | $376,987 | $463,182 |

(1) Including Incentive Compensation Plan awards paid in 1966 with respect to 1965, some of which were deferred under Employment Agreements as indicated.

(2) Not including deferred Incentive Compensation Plan awards and other payments to be made after retirement pursuant to Employment Agreements.

### *Incentive Compensation Plan*

The Company's Incentive Compensation Plan, initially adopted by the stockholders in 1947, provides, in general, that for any year the Directors may set aside into a fund an amount not to exceed 6% of net earnings for the year before provisions for payments under the Plan and federal and state income taxes. Out of such amount awards are made to such officers and employees as may be determined by the Incentive Compensation Committee elected by the Board of Directors from its members. Members of the Committee are not eligible for awards and no award in excess of 5% of the fund may be made in any one year to any one officer or employee. Except for awards of $500 or less, awards the payment of which is to be deferred pursuant to Employment Agreements, and certain other awards which are paid in cash, awards are paid after withholding for income taxes, approximately half in cash and half in Capital Stock at the market value thereof on the distribution date; however, awards may be paid up to 100% in cash if Capital Stock is not available for use under the Plan, or up to 100% in Capital Stock if the Board of Directors determines it is in the best interest of the Company that a greater portion be paid in Capital Stock.

### *Employment Agreements*

The Company has Employment Agreements with 12 officers, which provide that all or specified portions of Incentive Compensation Plan awards and, in the case of Mr. Allen and Mr. Prince, portions of their annual basic salaries, will not be paid currently but will be credited to deferred compensation accounts and be paid to them over periods of years following their retirement from active employment with the Company. Their deferred accounts are also to be credited quarterly with amounts equal to interest at 6% per annum (during 1966, 5% per annum prior to July 1st and 6⅜% per annum during the balance of the year) on amounts credited to their accounts.

In lieu of receiving benefits under the Company's employee retirement plan, Mr. Mickelwait has an Employment Agreement with the Company which provides for annual payments, during the ten-year period following his retirement, of $1,500 for each full year of active employment, unless he elects to receive all or part of such payments as a lump sum payment.

### *Savings Plan and Financial Security Plan*

Under a Voluntary Savings Plan which became effective December 1, 1965 all eligible employees, including officers, may participate by contributing from 1% to 5% of their base wage or salary to a Trust for investment in a diversified portfolio of securities. All employees are eligible except those within a collective bargaining unit which has not agreed to the Plan. The Company contributes an amount equal to 50% of the employee's contribution. The funds become distributable to participants, with certain exceptions, upon termination of employment. The Company's contributions to the Trust during the year 1966 for all participating Directors and officers, as a group, was $31,465, including the following amounts for the individuals named under "Remuneration of Directors and Officers": William M. Allen, $2,500; H. W. Haynes, $1,308; Lowell P. Mickelwait, $1,375; J. E. Prince, $1,375; T. A. Wilson, $1,351; and J. O. Yeasting, $1,217.

An Employee Financial Security Plan was approved by the stockholders on April 25, 1966. Under the Plan, in which most of the employees of the Company participate, the Company makes contributions to a Trust out of current and accumulated earnings and profits on the basis of the number of hours in each employee's sick leave reserve account (up to a maximum of 200 hours) multiplied by his hourly rate of base compensation. The Company's contributions to the Trust are invested in a balanced portfolio of securities. Funds may be withdrawn in the event of loss of earnings due to sickness and the balance becomes distributable upon termination of employment. The Company's contributions to the Trust during the year 1966 for all Directors and officers of the Company, as a group, was $92,377, including the following amounts for the individuals named under "Remuneration of Directors and Officers": William M. Allen, $5,769; H. W. Haynes, $3,947; Lowell P. Mickelwait, $4,231; J. E. Prince, $4,231; Edward C. Wells, $4,615; T. A. Wilson, $2,885; and J. O. Yeasting, $4,615.

*Stock Options Granted and Exercised*

Between January 1, 1966 and January 31, 1967 the Stock Option Committee, acting pursuant to the provisions of the Stock Option Plan adopted by the stockholders at the Annual Meeting held May 6, 1958 granted options to purchase 36,500 shares of capital stock of the Company of the par value of $5 per share to 23 employees who are Directors or officers of the Company. Such options were granted on December 12, 1966 at an option price of $63.50 per share. The option price was the closing market price of capital stock of the Company on the New York Stock Exchange on the date the options were granted. Of such options, the only ones granted to Directors or officers named on page 7 were an option granted to H. W. Haynes for 3,000 shares and an option granted to T. A. Wilson for 4,500 shares.

Between January 1, 1966 and January 31, 1967 options previously granted for the purchase of shares of the Company's stock under the Company's Stock Option Plan were exercised by the Directors and officers named on page 7, as shown in the following table:

| *Name* | *No. of Shares Purchased*(1) | *Date of Exercise* | *Purchase Price* | *Market Price on Date of Exercise*(2) |
|---|---|---|---|---|
| H. W. HAYNES | 750 | 2/ 7/66 | $15.25 | $81.56 |
| T. A. WILSON | 714 | 4/ 7/66 | 23.96 | 82.88 |
| J. O. YEASTING | 426 | 1/28/66 | 23.96 | 81.25 |
|  | 2400 | 1/28/66 | 15.25 | 81.25 |

(1) After adjustment of the number of shares and the purchase price per share for the two-for-one stock split in May, 1966.

(2) Closing price of the stock of the Company on the New York Stock Exchange on the date of exercise after adjustment for the two-for-one stock split in May, 1966.

During the period January 1, 1966 through January 31, 1967 all Directors and officers of the Company as a group exercised options to purchase shares of the Company's stock as shown in the following table:

| *Period of Purchase* | *No. of Shares*[1] | *Purchase Price* | *Market Price Range*[2] |
|---|---|---|---|
| January — March 1966 | 5216<br>7350 | $23.96<br>15.25 | $65.375 to $87.625 |
| April — June 1966 | 1344<br>1472 | 23.96<br>15.25 | 61.00 to 91.00 |
| July — September 1966 | 200 | 19.875 | 49.75 to 76.375 |
| October — December 1966 | 980 | 23.96 | 44.375 to 67.75 |
| January 1 to January 31, 1967 | 612<br>1050 | 23.96<br>15.25 | 61.75 to 74.875 |

(1) After adjustment of the number of shares and the purchase price per share for the two-for-one stock split in May, 1966.

(2) Price range of the stock of the Company on the New York Stock Exchange for the calendar quarter period after adjustment for two-for-one stock split in May, 1966.

Under the Stock Option Plan, option prices may not be less than the market price of the optioned shares on the date of grant; and options may be exercised only if the optionee remains in employment for at least two years after date of grant. Options granted before December 16, 1963 expire ten years after date of grant, and are exercisable 20% after two years, 40% after four years, 70% after six years and 100% after eight years. The remaining options expire five years from date of grant, are exercisable 50% after two years and 100% after four years, and contain restrictions upon exercise if the optionee holds certain unexercised prior options at a higher price. All options terminate upon termination of employment, with the exception of death or retirement after the option first becomes exercisable (in which event the option may be exercised, for limited periods, as to all remaining shares without regard to percentage limitations). The options granted prior to January 1, 1964, which include all those exercised by Directors and officers described above, were intended to be "restricted stock options" and those granted after that date were intended to be "qualified stock options" in each case within the meaning of the Internal Revenue Code of 1954, as amended.

## OUTSTANDING SECURITIES, VOTING RIGHTS AND REVOCATION OF PROXY

The Company has only one class of stock, namely, capital stock with voting rights, and had outstanding 19,500,165 shares of stock on January 31, 1967. The close of business March 9, 1967, has been fixed by the Board of Directors as the record date for the determination of the stockholders of the Company entitled to notice of and to vote at the Annual Meeting.

Stockholders of the Company have cumulative voting rights as follows: At all elections of Directors of the Company each stockholder shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of Directors to be elected, and he may cast all of such votes for a single Director or may distribute them among the number to be voted for or any two or more of them as he may see fit.

## SOLICITATION AND EXPENSES OF SOLICITATION

The enclosed proxy is solicited by the Management of the Company. All expenses of soliciting proxies, including clerical work, printing and postage, will be paid by the Company.

The Company has retained Dudley F. King & Co., Inc., 48 Wall Street, New York, New York 10005, to aid in the solicitation of proxies. Proxies will be solicited by personal interview, mail and telephone; and brokerage houses, other custodians and nominees will be requested to forward soliciting material to the beneficial owners of the stock held of record by such parties. It is estimated the cost for these services will be $14,000. The Company will, in addition, reimburse parties holding stock in their name or in that of their nominee for their reasonable charges in sending proxies and proxy material to their principals.

By order of the Board of Directors

**WILLIAM M. ALLEN**
**President**

**February 27, 1967**